





# Nobel thoughts on poverty

BY ANTHONY HARRIS

THE ANNUAL assault on our consciences from the World Bank will no doubt earn its usual sad salute from the West—high sentiments and good resolutions to be aired at the Commonwealth, EEC and IMF meetings, and as quickly forgotten. As a means towards any lasting improvement, the World Bank's eloquent reminders have proved, alas, about as effective as New Year's Day.

It seems particularly naive to hope for any unusually effective response in a year when Western governments are pretty distracted about their domestic problems. Yet for at least three reasons circumstances this year favour a more determined attack on the problem than in the past.

## Reflectionists

First, there can be no doubt this year or for some time to come that the West could not increase its material effort without putting any strain on its productive resources. The idea that aid causes demand inflation has died, especially in Germany and the U.S., as the long debate on aid-linked SDRs has shown; but we are all reflectionists now.

Second, the upheavals in some of the poorest countries—certainly in Bangladesh and just possibly for the first time in India—have thrown up Governments who must just possibly use aid to help the poor in their own countries, rather than to fatten the corrupt.

Finally, the post-Watergate investigations into the CIA in the United States have caused much re-evaluation there against past Western "support" for repressive and reactionary regimes. When Dr. Kissinger talks guardedly, as he has heard his do, of the need for internal reforms in poor countries, it is not only possible that he means what he says, but that the American diplomatic establishment will act accordingly.

What sort of reforms are needed? When the President of the World Bank, Mr. Robert MacNamara, talks about land reform and the like, he is often denounced as a socialist; but that is a word which covers very different, and even totally contradictory, attitudes. The kind of "socialism" which is about distributive justice rather than State intervention is relevant here, and is supported by some

## CRICKET

# Slow pitch key to victory

BY TREVOR BAILEY

THE TEST selectors have brought Arnold and Roope into the 12 who will be trying to win for England at The Oval on Thursday and square the series. They have understandably dropped Fletcher, whose recall at Headingley can only be described as a big psychological blunder, but Hampshire has every reason to consider himself unlucky to have been left out after only one game.

It has always been my view that if a player is picked for a Test as a first choice batsman, not as a replacement, he deserves at least two matches. It might be argued that Roope, currently in good form and on the right side of 30, is a better proposition than Fletcher, but if that is the case it is difficult to understand why he was not preferred at Leeds.

Arnold, in conditions sympathetic to a slower and seam, is recognised as the most dangerous operator in the country, but given this fact it was some what strange that he was not included in the 12 for the last game against the Australians. With Snow a certainty it would appear that the final place now rests between the Surrey bowler and Old, who played at Headingley because both Lever and Hendrick were injured. Presumably the two spinners, Underwood and Edmonds, will be included in a game for which

six days are available and Woolmer will return, even if there is still some doubt as to his effectiveness as a seam bowler at international level.

What are the chances of an English victory? The answer must lie very much in the slow pitch. If it is slow and takes spin early, England will fancy their chances, but on a quick true pitch Australia still appear to have the edge. What nobody wants is a wicket as completely dead as the one at the Oval last summer against Pakistan. That was so lifeless that an additional day would simply have prolonged the agony.

During the last week Lancashire reached the Gillette final by beating Gloucestershire, whose attack is probably the most insipid to be found amongst the counties. It turned out to be a closer contest than had been expected thanks to a superb century from Smith.

In the other semi-final Middlesex disposed of Derbyshire, who have the bowling, but lack the batting strength. It is not without significance that the best innings in this game also came from an overseas product, Featherstone.

As a result the Londoners will be making their second appearance in a final at Lord's this summer. This is both unlikely and unique, because they can by no stretch of the imagination

## YACHTING

BY ALEC BEILBY



The crew of the Italian entry RS & RB II Busselli was the first of the competitors for the FT Clipper Race to arrive in the Pool of London.

# Kriter still has problems

THE POOL of London has taken on an air of historical unreality during the Bank Holiday weekend with the arrival of five fully-rigged sailing ships from four nations as well as a host of smaller yachts and sailing craft of every description.

Amid this impressive spectacle, thousands of Londoners and many visitors saw the arrival of the fourth of the yachts that will set out on the Financial Times Clipper Race from the Thames estuary in September and back at the end of the week.

She is the 90-foot ketch Kriter, formerly the British yacht Burton Cutter, now racing under the French flag as a direct challenge for line honours in the joint Services ketch Great Britain II.

While the servicemen aboard Great Britain II maintain an apparent aura of preparedness about their yacht, the Kriter crew appear to have problems. Skipper Olivier de Kersanton said that his crew of 14 will be working 16 hours a day for the next four days to catch up on the backlog of work that still has to be completed. This includes the virtual reconstruction of the main cabin after the structural strengthening to the hull was recently completed on the south coast.

The four entries for the Clipper Race, the Dutch yacht "The Great Escape", the Italian yacht CS & RB and the British and French rivals all now lie in St. Katherine's Yacht Haven.

nearly-taking pride of place in the new dockside showrooms. Today, while the remainder of the training ships arrive and further colour is added to an already colourful scene, the yachts from the training ships will hold the first heats of rowing races in naval boats in the Upper Pool, the finals of the contest being held on Thursday. Cadets are to take part from all 15 nations represented in the week-long Festival of Sail, organised by the Port of London Authority.

## POWER BOATS

# UNO-Embassy breaks record

By Stewart Alexander

UNO-EMBASSY, owned by Colonel Ronnie Moore and property man Harry Hyams, won the 1975 Daily Express Cowes-Torquay-Cowes powerboat race at the weekend. Driven by her designer, Don Sheehy, she covered the 225-mile course at a record 72.88 mph.

Conditions were calm and winds relatively light as she was chased home by Brazil's world champion from Brazil, Vally Frantz in Fangar Grimsby. He like many others, suffered from mechanical hiccups and although leading on his return past Yarmouth, he was overtaken by Sheehy on the run in.

In third place was last year's winner, Dr. Martin, driven by Carlo Bonomi.

## RACING

BY DOMINIC WIGAN

# Two at Epsom for Richard Fox

BOB TURNELL, whose Ogbourne Maizey, Marlborough establishment is best known for its high-class National Hunt performers, appears to have a fine chance of landing today's feature event at Epsom—the Steve Donoghue Apprentice Handicap (3.10) with Buckle.

This chestnut five-year-old by Crockett out of Cullen, who won the Great Metropolitan Handicap on this course, returned to the start in a smart summer form of last year when obliging in Salisbury's H. S. Lester Memorial Challenge Cup a fortnight ago.

There, Buckle, ridden as he is today by that highly accomplished apprentice, Richard Fox, kept going strongly under hard lengths behind the favourite, Paddy Jack, by half a length, with Ticerl another length away in third place.

With only 7st 7lb in the saddle and the fast ground which suits him best, Buckle can follow up his Salisbury success by outpacing that game mare, Fair Camilla, whom he meets on level terms.

A second likely winner for Fox, who with 34 successes is lying second to Alan Bond in the Apprentice Championship, is

In The Balance, the bottom weight in the Fetham Handicap (4.15). Mr. Ravi Tikoo's Sir Ivor

## EPSOM

2.00—Sotico

3.10—Buckle\*

4.00—Orina

4.15—in The Balance\*\*\*

## CHEPSTOW

2.15—Ann's Grey

2.45—Conciliation

3.15—French Princess\*\*

3.45—September Star

## RIPON

2.15—Fairgold

3.15—Beco

## WARWICK

3.00—Mr. Resistor

3.30—Lady Cromwell

Gilly, a winner at Lingfield in June, was little more than two lengths behind Buckle, when fourth in the H. S. Lester Memorial Cup, and with Fox able to claim all of his 5 lbs allow-

## TV Radio

\* Indicates programme in black and white.

### BBC 1

9.55 a.m. Wacky Races. 10.05 Robinson Crusoe. 10.30 The Revolver Breakers. 10.55 Cricket: Yorkshire v Lancashire. 1.30 p.m. Backpurs. 1.45 News. 1.50 Build-up. 2.15 Cricket: Yorkshire v Lancashire. 4.15 Interval. 4.25 Regional News. 4.30 News. 4.45 Play School. 4.50 Bess Cat. 5.15 Branchin'. 5.40 Sir Prancelot. 5.45 News. 6.00 Nationwide (London only). 6.20 "Tartan's Secret Treasure". 6.30 "Jarring Johnny Welles". 7.10 (W) Strike North. 8.40 News. 9.25 My Honourable Mrs. 9.55 And So We Say Farewell.

Newcastle: Midlands. To-day (from Birmingham). Look South (from Norwich). Points West (from Bristol). South To-day (from Southampton). Spotlight South West (from Plymouth). 10.45-11.15 North. 11.15-11.45 South. 11.45-12.15 North. 12.15-12.45 South. 12.45-1.15 North. 1.15-1.45 South. 1.45-2.15 North. 2.15-2.45 South. 2.45-3.15 North. 3.15-3.45 South. 3.45-4.15 North. 4.15-4.45 South. 4.45-5.15 North. 5.15-5.45 South. 5.45-6.15 North. 6.15-6.45 South. 6.45-7.15 North. 7.15-7.45 South. 7.45-8.15 North. 8.15-8.45 South. 8.45-9.15 North. 9.15-9.45 South. 9.45-10.15 North. 10.15-10.45 South. 10.45-11.15 North. 11.15-11.45 South. 11.45-12.15 North. 12.15-12.45 South. 12.45-1.15 North. 1.15-1.45 South. 1.45-2.15 North. 2.15-2.45 South. 2.45-3.15 North. 3.15-3.45 South. 3.45-4.15 North. 4.15-4.45 South. 4.45-5.15 North. 5.15-5.45 South. 5.45-6.15 North. 6.15-6.45 South. 6.45-7.15 North. 7.15-7.45 South. 7.45-8.15 North. 8.15-8.45 South. 8.45-9.15 North. 9.15-9.45 South. 9.45-10.15 North. 10.15-10.45 South. 10.45-11.15 North. 11.15-11.45 South. 11.45-12.15 North. 12.15-12.45 South. 12.45-1.15 North. 1.15-1.45 South. 1.45-2.15 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# Mary Stuart

by ELIZABETH FORBES

Not even Maria Malibran, the has an impregnable belief in her most illustrious among previous own innocence that gives fearful exponents of the role, could have strength to her insults at the surpassed the dramatic variety, fatal encounter in the park at the complete involvement, the Chatsworth. Though it is impossible not to stress the dramatic side of her performance of the tragic Queen Elizabeth I, Miss Baker also of Scots in Mary Stuart at the sings very beautifully, using all Coliseum on Saturday night, the traditional forms of 19th century opera, as well as a National Opera's recent tour, discreet amount of vocal John Copley's production of embellishment, for purely expressive purposes. Though it is impossible not to stress the dramatic side of her performance of the tragic Queen Elizabeth I, Miss Baker also of Scots in Mary Stuart at the sings very beautifully, using all Coliseum on Saturday night, the traditional forms of 19th century opera, as well as a National Opera's recent tour, discreet amount of vocal John Copley's production of embellishment, for purely expressive purposes.

Such an apology is no longer necessary. It can be taken for granted, surely, that directors of the calibre of Mr. Copley, conductors as distinguished as Charles Mackerras and singers of the eminence of Miss Baker are not wasting their time or lavishing their gifts uselessly on an opera like *Mary Stuart*. It can even be admitted that a German and an Italian have something to teach the British when it comes to the interpretation of their own history: though Elizabeth I of England and Mary, Queen of Scots did not, in fact, meet face to face, as they do in Schiller's play or in Bardani's libretto, it is artistically right that the bitter rivalry between the two royal ladies should be symbolised by a direct confrontation. Miss Baker paints a thoroughly sympathetic and appealing portrait of Mary, but does not try to obscure the besetting sin of the Queen of Scots. Whether kneeling in the dust at Elizabeth's feet, confessing her past misdeeds to Talbot or bidding farewell to Leicester on the way to the scaffold, she is upheld by pride, a pride that is every bit as rigid and inflexible as the Tudor princess's. Indeed, throughout the opera, it is not Mary, but rather Elizabeth, who is continually tormented by doubts and uncertainties. Mary Go to it if you possibly can.



Ava June as Queen Elizabeth I

Gift of jewellery to the V & A

A wide-ranging collection of jewellery that has long been loan to the V & A, has now been presented to the museum by its owner, who prefers to remain anonymous. The collection contains many pieces not represented in the museum's permanent collection, or superior to similar specimens therein. The gift is on display in the Jewellery Gallery Rooms 91-93.

Covent Garden street theatre

This Covent Garden Community Theatre Workshop presents *Mud Solad*, a new musical entertainment starring Neil Gwyn, Charles II, the Earl of Bedford, and Covent Garden, written by Richard Robinson, music by Pam Obermeyer, lyrics by J. Alexander Ryan. *Mud Solad* is being performed under the Portico of St. Paul's Church, Central Market Piazza, Covent Garden, W.C.2, until Friday, August 30 at 1 p.m.

## COLD LA INA



The aperitif of the aficionado

### EDINBURGH FESTIVAL

# Scottish National Orchestra

by RONALD CRICHTON

The opening concert of the to-night. There was a contemporary Festival, with the Scottish symphony No. 2 of Robin Orr, whose new under Gibson, was overclouded opera, *Hermiston*, will be heard by the news of Claudio Arrau's to-morrow night. The symphony, inability to appear. The duo, first given in Glasgow in 1971, is shone again when it was a shortish work in two parts, of announced that Daniel Baren which the second has an extension, in spite of preoccupation did slow introduction doing with a new production of *Figaro*, duty for slow movement. The Diamond's announcement from germ of what follows, promises the platform, that Barenboim had injured his hand, that was hoped he could play, but that the concerto must come last, brought the clouds back. In the end, after a long interval, all was well. Barenboim duly appeared amid grateful, admiring applause. To play Beethoven's Emperor Concerto and to give a reading generous in tone, spacious in conception, fine in detail (how well he shapes phrases containing a turn), only showing passing nervousness under the strain of Finn's brand of mildness in the Third and Sixth Symphonies, for example, is extremely deceptive. In any case, in Orr's quick material there is surely more of Shostakovich, without the am-

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more than this performance at any rate revealed. The orchestra writing is lean, but there is not much sign of sinew in the musical substance. The effect was likeable but mild. Sibelius may have been, in the words of the programme annotator, "the impeccably assured, but a more secure ensemble. The Scottish musical potential is now so considerable that it needs to be exhibited to the best possible effect, or local pride may appear to be defeating itself."

# Norwegians and Germans

by B. A. YOUNG

Only two new plays at the Traverse this year, though the theatre is entertaining four visiting companies and mounting a Festival of International Political Music. C. P. Taylor has done another new writing job. Last year's *Schippel* is already scheduled for London, but this version of *Peer Gynt* is hardly such popular material. Ibsen's great poetic masterpiece has always proved intractable to stage. Mr. Taylor has reduced the company to nine actors and two musicians, playing a score of parts between them—more of an achievement than it may sound, for no fewer than three of them play *Peer*. There is an old, mature *Peer* (Michael David), who meets the Button Moulder in the first scene and is challenged to prove that his life was not a total zero. There is a young *Peer* (Andrew McCulloch) who corresponds pretty well with the *Peer* we know in the familiar version; but there is also a *Peer* (James Snell) who is called in to act out young *Peer*'s delusions of grandeur in a suitably grand manner.

Most of the story is included in this version. Anne (Jean Faulds), often sounding curiously like Dame Sybil, is spared the long lie about the ride through the mountains, the fantastic being as far as possible reduced to practical terms. The old *Peer* becomes a community of mountain goatherds whose extrahuman quality exists only in their behaviour. *Peer*'s commercial career consists of a stint on a slaving ship and a stint dealing with a German general. There are no lunatics, other than those who represent humanity as Ibsen, by way of Mr. Taylor, presents it. Mike Ockrent's production fits the play with its scenes, cleverly into the little stage you might have expected to find the Terrace seating. A couple of before.

Additional characters in the rather same Götterdämmerung are a secretary from the bunker who is having an affair with Stepan; a German girl who repaid Aiyosha for an attempted rape by stealing his uniform and wearing it for the rest of the play; an SS General who plans to escape recognition by wearing a girl's clothes and make-up (though he retains his uniform cap and greatcoat); a Hitler himself, who emerges from the bunker with a map in one hand and a plate of cream cakes in the other, and regurgitates some of his more optimistic speeches from former days. The plot, which is a modest drama of mistaken identities, exists only so that Mr. Ewling may hang his common man's philosophies on to it. There are a lot of these, not all that interesting. Extra philosophy is provided by a musical soundtrack; Wagner and Beethoven emerge constantly from Hitler's side, and Max Bruch (mistakenly identified by Stepan as Buxtehude) from the other side, presumably to indicate the ever-present shadow of the Jews. I'm afraid I found *The Dead of Night* a terribly long haul. It seems to me to say nothing that has not been better said countless times. There are good scenes, notably one where Stepan voices his reactions to Beethoven's Choral Symphony; but it is casually thrown together and offers nothing serious to think about. On the other hand, it is ably performed by the Traverse company. Finlay Welsh, formerly Troll King, and Andrew McCulloch, formerly *Peer Gynt*, are the Pole and the Russian. James Snell is the SS General. Susan Carpenter and Meg Davies are the two girls. There is an imposing set by Poppy Mitchell. Three out of the seven characters lose their trousers.



Henrietta Baynes, Elizabeth Tyrrell, Stephen Murray and David Timson

### Mermald

# On the Rocks by B. A. YOUNG

The skipper having continued too long in his cabin drinking bottled ditchwater, England in other hand, are not much more on the rocks. Shaw has borrowed the social situation of the "thirties" for his play, which is really a kind of dramatic leading article. The unemployed are demonstrating all over London; wage cuts are the order of the day; a coalition National Government sits at Westminster, though its leader is nothing like Ramsay MacDonald. The Prime Minister is a Liberal, Sir Arthur Chavender, Harrow and Oxford, a great believer in government by oratory. Sir Arthur, who is given a delightfully bland performance by Stephen Murray, an actor we could do with more of, is led, through improbable but characteristically Shavian circumstances into which I needn't go into reading the collected works of Karl Marx. At the Lord Mayor's banquet he unexpectedly announces a programme that includes the nationalisation of land and the banks, compulsory labour, the legal banning of strikes, and the abolition of rates. His proposals meet with acceptance from all but one of his colleagues (a rum lot). The Services are delighted at increased pay and additional armaments; the Board of Trade holds that, relieved of rates, business will boom; wealthy industrialists welcome the new availability of land and wealthy landowners their freedom from estate duties. In the Government, only the former Tory leader objects, and he reacts with a threat to raise a force of Union Jack Shirts. At the opposite side of the political spectrum, a delegation from the Isle of Cats whose approval was sought on, and compulsory work and illegal strikes more than they can take. The Tory breaks off the coalition, and Sir Arthur withdraws from politics for good. On the rocks was written in 1938. Shaw was nearly 80, and his pristine delight in revolutionary politics was much diminished. The play contains a lot of political talk that virtually resolves itself into a series of public speeches. Some of them are entertaining, some of them very attractively delivered—by Bernard Miles as a freelance Socialist, for example, by Renu Seta as a millionaire Indian industrialist, by David Bird as heard, has been elaborated into a newly-improvised Duke, by Tony Jay as the Conservative leader. Some of them, on the other hand, are not much more than verbalisations of accepted ideas. It is alarming to be reminded how near Shaw came at this time to being a crypto-Fascist. There is more admiration for the dictator, on both sides, than one can approve with later knowledge of their activities. He had friends, colleagues and electors, learnt to despise them five years later in Geneva, but there it and moulds the Aristophanic seems to have been their personal argument and family larks into allies rather than their policies a smoothly-running affair well that he objected to. On the Rocks worth the attention of those who concludes with an offstage mmb like late Shaw—a commodity at singing Edward Carpenter's "England, arise!" Besides politics there is some trivial domestic comedy best forgotten, apart from Janet Chappell's sharp performance as Aiyosha Broilkins, a bright Socialist working-girl with an eye on the Prime Minister's son David. All the action takes place in the Cabinet Room at Number Ten (a handsome design by Bernard Cusick), which is constantly invaded by family, friends, colleagues and electors. 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This announcement appears as a matter of record only. August 1975.



## Centrais Elétricas de Minas Gerais, S.A. Brazil \$45,000,000 Five Year Financing

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BANK OF AMERICA

# A BIG SWISS BANK REPORTS

**Total assets up**  
In the second quarter of 1975 the total assets of Credit Suisse grew by Sfr. 843 million to Sfr. 35.6 billion. Under the influence of the economic recession and the resultant increase in liquid funds, customers' deposits moved up appreciably despite declining interest rates and now amount to Sfr. 20 billion, a rise of Sfr. 864 million (4.5%).

### Slowdown in economic activity

The slowdown in economic activity and the stagnation of world trade is also reflected in the pattern of assets. There was decreased utilization of overdraft facilities by both domestic and foreign customers. How-

ever, the demand for credit from public authorities remained lively, as did that from the private sector for export financing and, increasingly of late, for building projects. Overall, outstanding loans were up by Sfr. 238 million to Sfr. 13.1

billion. With loan demand quieter, and as a result of the significant inflow of deposits, liquidity reserves climbed substantially. The bank's capital and reserves rose by Sfr. 9 million to Sfr. 2.1 billion.

### Tradition and dynamism—since 1856

Founded in 1856, Credit Suisse is one of the leading big banking houses in Switzerland. It combines a long tradition with dynamic and up-to-date methods. In commercial banking, underwriting and stock exchange business, it will continue to offer its clients throughout the world the dependable service which has led to its international standing and reputation.

**Increased earnings**  
The main increase in earnings during the first half of 1975 compared with the same period last year came from the bank's brisk securities and foreign exchange business. The rise in earnings from overdraft transactions slowed down, and income from bullion dealing contracted. Net profits, which since last March have to cover dividends on the substantially increased share capital, were satisfactory.

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## HOME NEWS

# Hugh Jenkins speech seen as challenge to Wilson

BY RICHARD EVANS, LOBBY CORRESPONDENT

THE PROPOSALS made by Mr. Reg Prentice, Minister for the Arts, that MPs should be given the power to elect a Labour Cabinet, is seen as part of a growing campaign inside the Labour movement to boost the influence of party activists. The campaign is likely to come to a head at the party conference in six weeks' time when Left-wingers will press the National Executive to produce a special report on a suggestion that the party leader and the annual conference.

Although not going so far, Mr. Jenkins' advocacy of direct elections by MPs and more power to party activists is being interpreted as a challenge to Mr. Wilson's authority.

It appears to conflict directly with the advice given by the Premier in his television broadcast last week that the public should not allow minorities to run its affairs.

In a clear reference to the Reg Prentice controversy, at Newham North East, Mr. Jenkins also backed local Labour parties who wished to dismiss their MPs.

"It is too difficult and not too easy for a party to get rid of its MP," he declared in his speech to the Progressive League Summer Conference at Dorking.

There is no sign of any early move by Mr. Wilson to slap down the Left-wing junior Minister, but Mr. Jenkins has been tipped for some time for the sack in the Government reshuffle expected this autumn.

His outspoken comments could turn him into a minor Left-wing martyr if he returns to the back benches.

Mr. Jenkins summed up his views with the metaphor: "In a sea of troubles, the officers on the ship need to take a little more account of the opinions of the crew and a little less of those of the passengers."

He called for "constitutional recognition" of party activists "who were the salt of politics but who, at present, got short shrift."

"It is time for our party to accord to annual Conference and to its NEC a position of participation in decision-making, no less than that which we are advocating shall be the right of employees of firms in the managerial decisions of their companies."

Not surprisingly, Mr. Jenkins came under attack from several moderate Labour MPs, particularly because he seemed to be dismissing the concept of an MP's individual conscience.

He also appeared to be advocating that an MP should be a delegate rather than a representative.

But in an interview on BBC radio after delivering his speech, Mr. Jenkins insisted he was "wholly hostile" to any suggestion that an MP should lose the freedom to decide his own course of action.

## FT GROCERY PRICES INDEX

# Big increases in dairy produce offset by falls in sugar costs

GROCERY PRICES, as monitored by the FT Grocery Prices Index, remained fairly stable in August despite a big rise in the cost of the dairy category.

The index rose by just 0.78 points in the month to reach 139.23 and though it now stands 30 per cent above its August, 1974, level, the August figure is still well below the June level when the index reached an all-time high of 193.02.

The 55.90 rise in the dairy bill was largely due to the 1p increase in the price of a pint of milk, at the beginning of the month. As the 11 shoppers for the index buy 45 pints of milk each, this rise alone put almost 25 on the dairy total.

Eggs were responsible for most of the rest of the increase, with most shops charging at least 2p a dozen more than earlier in the summer when prices were very low.

The other big rises this month were in the canned and non-food sectors. Tinned food prices were hit by both the higher price of the new season's crop and the lower buying power of the pound abroad. Sardines were 3p a tin more in all the shops used, while fruit cocktail was around 2p a can dearer in most shops.

The price rises in the non-food sector were spread across a wide range of products. Razor blades were at least 1p a packet more expensive than last month in most shops, while several main brands of detergent were also dearer.

**Vegetables**

Set against these increases, however, are big reductions in the bills for sugar and soft drinks, fresh vegetables, bread and preserves. The drop in bread and other flour-based products was largely the result of increased promotional activity and, as such, cannot be expected to last for long.

The fall in the cost of sugar-based products, however, may be more durable. The price of sugar itself has been cut by about 3p for a 2 lb. bag since July and this reduction should be sustained for several months. This lower price is beginning to make itself felt on preserve prices, too, with jam at least 2p cheaper than last month in several shops.

The 54.42 fall in the fruit and vegetable bill means that fresh food prices, having climbed to unprecedented peaks in the early summer, are now at their lowest level since last April. Even so, they are still some 70 per cent above last August, when the total bill for fruit and vegetables was around 251.

Big reductions at the green-grocers this month were in carrots (down at least 6p a pound), cooking apples (down about 3p a pound) and tomatoes (costing anything up to 14p a pound less than in July).

## FINANCIAL TIMES SHOPPING BASKET

	August £ p	July £ p
DAIRY PRODUCE	92.03	85.13
SUGAR, TEA, COFFEE, SOFT DRINKS	45.43	47.90
BREAD, FLOUR, CEREALS, ETC.	63.44	64.17
PRESERVES AND DRY GROCERIES	26.48	26.89
SAUCES AND PICKLES	16.89	16.81
CANNED GOODS	28.18	28.51
FROZEN FOODS	28.91	28.51
MEAT, BACON, ETC. (FRESH)	131.52	131.71
FRUIT AND VEGETABLES	84.08	88.50
NON-FOODS	44.33	43.22
TOTAL	559.29	554.94

## INDEX

1971: Feb. 100; Mar. 101.09; April 102.73; May 105.75; June 108.00; July 107.24; Aug. 105.40; Sept. 105.24; Oct. 104.35; Nov. 105.48; Dec. 108.24.

1972: Jan. 109.18; Feb. 108.10; Mar. 109.24; April 108.04; May 109.34; June 115.97; July 111.97; Aug. 113.40; Sept. 112.14; Oct. 113.15; Nov. 111.14; Dec. 114.48; Jan. 114.49; Feb. 114.72; Mar. 114.72; Dec. 9: 114.75; Dec. 16: 115.77.

1973: Jan. 117.54; Feb. 119.25; Mar. 120.53; April 123.86; May 125.57; June 128.81; July 127.64; Aug. 126.59; Sept. 129.39; Oct. 138.83; Nov. 135.43; Dec. 138.24.

1974: Jan. 141.41; Feb. 141.52; Mar. 142.44; April 8, 143.23; April 29, 142.64; May 145.17; June 147.97; July 146.22; Aug. 145.25; Sept. 147.6; Oct. 150.5; Nov. 154.39; Dec. 159.15.

1975: Jan. 162.84; Feb. 167.77; Mar. 173.50; April 178.39; May 183.41; June 192.02; July 188.45; August 189.23.

The index is based on the prices paid by 11 shoppers around the country. The shopping, which was done in supermarkets and independent grocers, was carried out last Tuesday.

# EEC investment decline forecast

## FINANCIAL TIMES REPORTER

CONSUMER SPENDING and investment in Europe are both likely to remain depressed during the next 12 months, according to the latest quarterly Framework forecast for the EEC economies from the Henley Centre for Forecasting.

The Henley Centre projects that overall fixed investment in the Common Market will decline by a recovery is forecast for between 7 per cent. and 8 per cent. this year, although there are reported to be indications of a small increase in France in the second half of this year.

Pointing out that falls in output in Italy and the U.K. are not being offset by delayed investment in Germany and France, the report forecasts that EEC output as a whole will fall by 0.7 per cent. this year. A recovery is forecast for next year, when total output is projected to rise by 4 per cent.

In the U.K., total consumption will be very flat during the next 12 months and industrial production is not forecast to begin recovering until the second half of 1976.

The study predicts that the short-term improvements in EEC member countries' balance of payments will deteriorate as economic recovery gathers pace next year.

# Insurance investment talks

## BY ERIC SHORT

DISCUSSIONS are taking place between the Department of Trade and the Insurance industry concerning the restrictions to be placed on the investments of insurance companies.

Such a move would be made by Regulation under the provisions of the Insurance Companies Act, 1974, and would represent a further step by the DoT in strengthening the financial stability of insurance companies.

The Department is however solely concerned with the solvency of insurance funds and has already made Regulations about the types of assets and the methods of valuing them that are admissible to demonstrate solvency against the company's liabilities. The next step being taken is to impose a limit on any one asset being used in this solvency demonstration.

This limit will take the form of a percentage of the insurance fund covering the liabilities. The insurance industry has accepted the principle of limitation and the discussions are concerned chiefly with settling the limits.

For instance, different levels could apply to varying types of investment, a lower limit for unquoted securities compared with quoted ones.

No indication has yet been given of the upper level of such limits but it is unlikely it would be higher than 5 per cent.

It is not the intention of the DoT to apply any restriction on investments not used to cover liabilities. Thus, companies can invest their free reserves in whatever they like.

No restriction has been made on types of investment in which the free reserves are held and they can be valued according to company practice if so desired.

The restrictions to be made on solvency assets are in line with the generally accepted investment principle of spreading assets to reduce the risk of trouble should a particular asset collapse.

A provisional date of January 1, 1976, has been made for the introduction of these Regulations, but this is by no means a firm date. The operative date for the types of assets had to be put back one month from the original time.

# Underwriters' profit bid

MARINE underwriters in the British market have taken firm steps to try to restore profitability to their accounts through extensive revisions of the Joint Hull Underwriters' underwriting guidelines widely followed in the London market and overseas.

As a result of the revisions, which have been circulated to underwriters and brokers, ship-owners can expect higher insurance costs, and those owners whose claims experience is less than satisfactory will pay sharply increased premiums for their hull insurance when policies are renewed.

After two good years in 1971 and 1972, marine underwriting experience started to turn sour in 1973, moving heavily into the red in 1974 and the current year.

Although two lots of revisions were made to the understandings last year, they failed to have any worthwhile impact on results.

Many responsible underwriters, increasingly alarmed over the effects of inflation, have been clamouring for tough and positive action after seeing premium rates slip for the past two years.

# National Savings boosted to £11bn.

By Christopher Hill

IN SPITE OF the traditional seasonal influence of withdrawals during the holiday season, National Savings had another good month during July. As a result, the total sum accumulated in all forms of National Savings (inclusive of National Interest) exceeded £11 bn., standing at £11.05 bn. at the end of the month.

Over the four weeks to end July 26, the net inflow of new saving amounted to £37.4m. and—once net interest was added—the result was a £2.1m. improvement on the previous month and £60m. than the equivalent month last year.

As in June the big boost to the savings figure came from the index-linked retirement

## More Home News Pages 7 & 17

certificates with receipts of £49.1m. This was somewhat less than the figure for June, but brought total sales of these certificates to over £114m. during the two months in which they have been available. Since the end of July the total has risen to over £130m.

There was also a first contribution from the new index-linked SAYE contract which was launched on July 1. This is not particularly significant in terms of the total National Savings receipts for the month, amounting to just over £200,000. But by August 1 over 132,000 contracts had been accepted and the average monthly payment is much higher than it seems from the figures available because of the time lag between the acceptance of contracts and payment of the first contributions.

Apparently the average is between £13 and £14 per month and the main thrust of employers' schemes is still to come. There has been a very heavy demand for particulars from employers.

# Call for direct labour probe

Financial Times Reporter

A FULL-SCALE investigation by the all-party Commons expenditure committee into the performance and accountability of local authorities' direct labour building departments is being asked for by a national building chief.

Mr. Ernest Smith, president of the National Federation of Building Trades Employers, criticises the Government's policy of encouraging the expansion of direct labour departments as "irresponsible and inflationary."

He says: "We are enjoined by the Prime Minister to buckle down and fight against inflation. Yet what could be more inflationary in our own industry than the wasteful and inefficient operations of many direct labour building departments which seem to ignore the elementary principles of public accountability."

# Statisticians 'have role in policy making'

A CALL for the closer involvement of statisticians in Government policy making came yesterday from Sir Clive Mosser, head of the Government Statistical Service.

Addressing the American Statistical Association in Atlanta, Georgia, he said: "I reject the old-fashioned concept of the statistician as a purveyor of pure facts and quite disconnected from the activities of users—whom for us must mean policy-makers."

He went on to emphasise the diverse responsibilities of the statisticians.

"We simply have to accept," he declared, "that we are now front row men—not back row boys—and we have to live up to this role. We have to accept that the stakes involved in good economic and social policies are enormous, and that we have a good share of the responsibility."

## OBITUARY

# Sir John Waldron

SIR JOHN Waldron, Commissioner of the Metropolitan Police from 1968 to 1972, has died aged 65.

Sir John began his career with the Metropolitan Police in 1934 and during the war was seconded to the Ceylon police force.

He became Lancashire's Assistant Chief Constable in 1951 and Chief Constable of Berkshire in 1954 before returning to the Metropolitan force as Assistant Commissioner in 1959.

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مكتبة الامم المتحدة



## OVERSEAS NEWS

## Goncalves propaganda campaign picks up speed

A PROPAGANDA campaign to keep the pro-Communist Prime Minister Vasco Goncalves in office gathered momentum yesterday with a report that a Leftist military-civilian front was being formed in his support.

The State radio, controlled by pro-Communist military delegates, said this was decided at a meeting between unidentified members of the Armed Forces Movement, the Communist Party, and several allied or extreme Left-wing groups.

The meeting is said to have agreed eventually to set up a Government of revolutionary unity, but in the meantime it backed the radical political programme published by General Goncalves at the end of last week.

It set up a secretariat to organise "an offensive against reaction and for the advance of the revolutionary process" as a preparatory step.

The new report followed two communiques of dubious origin yesterday—one which purported to show that President Francisco de Costa Gomes wanted General Goncalves to stay in office, and the other supposed to demonstrate that the Premier's programme had received a vote of support from a majority of armed forces leaders.

The aim of the campaign was clearly to demonstrate that the armed forces and "progressive" political parties were lining up

against the group of nine prominent moderate officers who are trying to unseat General Goncalves.

It also appeared to be trying to exploit a split which seems to have occurred in the Copcon military security force, whose commander, General Orelto Saralva de Carvalho, was last week reported to have reached a common platform with the moderates.

The President's office early this morning ordered radios to stop broadcasting the original communiques referring to General Goncalves remaining in office. Observers speculated that it had been issued without his approval, either by the armed forces "Fifth Division" information and propaganda unit, or the Information Ministry, both controlled by pro-Goncalves officers.

The presidency also said that the second of yesterday's statements, referring to broad military support for the Goncalves programme, was null because it had been issued without his knowledge.

This second statement, issued by the Fifth Division, said that the president, members of the Revolutionary Council still in office, Copcon commanders and leading members of the Armed Forces Movement had backed the Prime Minister's plan.

They were also said to have

LISBON, August 25.

called for the Communist-dominated 240-strong assembly of the movement to decide the fate of the nine moderates suspended from the Revolutionary Council, and to have decided on "restructuring and democratisation" of the armed forces—apparently meaning a purge.

To-day's communiques broadcast over the state radio sought to extend this apparent pro-Goncalves front beyond the military to civilian political organisations.

The Communist Party has claimed the Government crisis is over, and that a victory has been won against reaction and the threat of a right-wing coup.

There has been no reaction so far from the nine moderates, who late last week were actively negotiating with the election-winning moderate parties to form a new Government.

The Lisbon newspaper, O Seculo, reported that the chiefs of staff of the navy and air force, Vice-Admiral Jose Pinheiro do Azevedo and General Jose Morais da Silva, had come out in support of the Prime Minister at a military meeting on Saturday night.

General Carvalho and General Carlos Fabião, chief of staff of the army and the moderates' candidate for the Premiership, were said to have called for his resignation.

They were also said to have

## Reprieves spark off protests in Greece

ATHENS, Aug. 25.

THE GREEK Government decided today to commute the death sentences of former President George Papadopoulos and two of his deputies in the ousted ruling military junta.

An official statement issued after an emergency Cabinet meeting said the Government decided to set in motion the machinery to commute the three death sentences to life imprisonment. The sentences were passed on Saturday.

Those sentenced to death with Papadopoulos were Deputy Premier ex-tank commander Stylianos Pattakos and retired Brigadier-General Nicholas Makrezos.

To-day, about 500 extreme left-wingers demonstrated outside Athens university calling for the execution of ex-President Papadopoulos and the other two.

The Government's decision to commute the death sentences provoked sharp reaction among opposition leaders who demanded the resignation of the Government and an emergency session of Parliament.

Fearing demonstrations, Athens police were alerted and several public buildings were guarded. The official statement today said that the decision by the plenary session of the Cabinet was taken unanimously.

"The Cabinet decided, when

the decision of the court becomes irrevocable, to set in motion—the legal machinery to commute the three death sentences to life imprisonment," the statement said.

The decision of the court will become irrevocable if the three men do not appeal to the Supreme Court within five days of sentence.

If they file a petition, they will ask the Supreme Court to order a retrial on the grounds of procedural irregularities during the trial. If the court rejects the appeal, then the verdict becomes irrevocable.

Immediately after the announcement of the verdict on Saturday, Mr. Papadopoulos was heard by reporters instructing his defence counsel to appeal. Legal experts here said it may take the Supreme Court about six months to issue a verdict on the appeal.

The Government today accused opposition leaders of creating upheaval and of fanning passions over the sentences.

"They attack the Government, even resorting to slander, for the stand which it has adopted with a high sense of responsibility," a statement said.

Reuter

## Lockheed pledges to stop paying bribes

By Ivy Palmer

NEW YORK, August 25.

LOCKHEED AIRCRAFT, bowing to increasing pressure and criticism, has promised the U.S. Federal Government's Loan Guarantee Board that it will stop paying bribes to foreign officials to promote its overseas sales, according to Mr. William Simon, U.S. Treasury Secretary.

This promise represents a major change of heart for Lockheed which has already admitted paying out \$22m worth of bribes. Earlier, the company insisted that it could not stop making hidden payments because it would put it at a competitive disadvantage to other foreign and domestic aerospace companies.

While this stand received some sympathy in Washington, the criticism has generally been bitter. Following disclosures that part of the payments went to promote the company's sales of its L-1011 jetliner, this morning Mr. Simon, one of the top three Federal Government officials serving on the loan board, stated that the Government could not condone such activities.

More worryingly for the company, Mr. Simon also said that the Government was requesting an immediate re-assessment of its existing collateral under the credit agreement and hinted that the Government might have to rethink its willingness to back the company.

Mr. Simon's stand was mild compared to the attack on the company launched over the weekend by Senator William Proxmire. In a letter to the Loan Board, the senator said that the Lockheed bribe disclosure "serves notice that the federal government's name and money has been used to facilitate the most dishonest and corrupt kinds of business practice."

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## Commonwealth call for 'new order'

BY PAUL LEWIS, U.S. EDITOR

GEORGETOWN, August 25.

FINANCE AND trade ministers of the Commonwealth countries began three days of discussions here to-morrow, that will centre on a new and comprehensive programme of measures for narrowing the gap between the rich and poor nations.

This programme is set out in a report, "Towards a New International Economic Order" which has been prepared by a group under the chairmanship of Mr. Alister McIntyre of Grenada, and which was created by Commonwealth Heads of Government at their meeting in Jamaica last May.

If it can be endorsed at this week's meeting both by industrial and developing Commonwealth members the McIntyre report—as it is called—could make a significant contribution towards easing tensions between rich and poor countries at next week's special session of the United Nations, when the more radical Third World members will encourage other raw material producers to follow OPEC's example and raise the price of their exports by unilateral action.

However, it is already clear that several of the report's recommendations go further than Britain or the rest of the Commonwealth have been prepared to go so far, and will certainly be difficult for the U.S. Administration and Congress to stomach in their present mood.

In its introduction the report speaks squarely of the need for "a new economic order" which would encourage self-reliance by the developing countries and ensure minimum living standards for all the world's population. It then goes on to make four major recommendations, all of which are likely to prove controversial with the sections of the industrial world.

The report fully endorses the UNCTAD plan for an integrated world commodity programme to stabilise raw material prices and compensate producer countries for declines in income, and it recommends that detailed proposals for the scheme should be submitted to the fourth UNCTAD session next year.

The report supports the developing commodity producers in their repeated calls for the price of their exports to be indexed to the cost of the manufactured goods they buy from the industrial world. It says that the price of raw materials should be kept in line with other price levels and that while indexation presents some technical problems, these should not be over-emphasised.

On aid, the report calls for the richer countries to raise their contributions for development assistance to 0.7 per cent. of their GNP immediately, in line with past UN recommendations, and to reach 1 per cent. of GNP by 1980. At present, aid flows are running at about 0.33 per cent. of the donor countries' GNP, and neither Britain nor the U.S. believe that it will be possible to improve much on this performance in the immediate future.

The report suggests that voting power in international financial institutions like the World Bank and the IMF should no longer be based solely on countries' financial contributions, but that the developing nations should be given a higher say in how these bodies are run.

Feature Page 10

## C. Y. Tung in Suez ship plan

By James McDonald

With the conclusion of a Sinai agreement between Israel and Egypt in sight, the C. Y. Tung shipping group's Orient Overseas Container Line (OOCL) is planning to send its entire fleet of Far East Europe container ships through the Suez Canal.

This action will reduce the round-trip voyage between the two continents by 12 days, compared with the fleet's present routing via Cape of Good Hope. The new routing will also increase the frequency of OOCL's sailings from one every 12 days to one sailing every 10 days.

The move is expected to have a significant impact on the shipping industry, as it will allow OOCL to offer faster and more reliable service to its customers.

## OPEC aid set to double this year

BY ADRIAN DICKS

WASHINGTON, August 25.

WORLD BANK economists now expect total disbursements of overseas development aid by the Organisation of Petroleum Exporting Countries in 1975 to reach \$10bn, during the current year. This sum, which would be about double the level of known disbursements by members of the Organisation of Petroleum Exporting Countries in 1974, would approximately balance the increased payments burden

caused to non-oil producing developing countries by the oil price increases of the past two years, the Bank's experts believe. In its annual report, published here today, the World Bank offers further evidence of its broadly optimistic view of the impact of higher oil prices on the economies of its client countries, placing much of the blame for the economic stagnation that has beset the developing world on recession in the industrialised countries.

It writes that OPEC members' collective commitments to foreign aid rose from \$3bn in 1973 to \$10bn in 1974, and that disbursements rose from \$3bn to \$8bn in the same period. Of this sum, about 40 per cent. is believed by the Bank to have been made on concessionary terms.

The Bank also offers a new forecast of the probable current account surplus of OPEC countries, predicting that this is unlikely to increase "significantly" beyond the \$65bn achieved last year. In 1975 the surplus is unlikely to be more than \$45-50bn, and while it may increase slightly as the world economy moves back into a recovery phase, it is not expected to rise substantially above last year's peak.

These views on the likely future development of the OPEC surplus in the anticipated aid policies of its members stand out from the World Bank's annual report as an almost unique area of optimism in an otherwise sombre picture of the prospects for the developing world.

The bank spells out in some detail the impact on the developing world of the deep recession in the industrialised countries during the past year. Real growth rates in the more advanced developing countries—which the Bank defines as those with an annual per capita income of \$200 or more—has been maintained at about 4 per cent. largely thanks to the ability of many of these countries to borrow substantial sums on international capital markets.

## Killing and looting in Timor

DARWIN, August 25.

DAZED REFUGEES who arrived in Darwin from Portuguese Timor today described shootings, bodies lying in the streets, looting of shops, burning of homes and constant battles with small arms in the colony's civil war.

A total of 1,170 refugees arrived on the Norwegian ship Lloyd Bakke from Dili, mostly mixed-race Timorese but also including 247 Portuguese.

Nine wounded on board, two of them children, had been struck by flying shrapnel before they joined the ship. Seven were admitted to Darwin hospital, none in serious condition.

The captain of the Lloyd Bakke, David Holmgren, said the refugees passengers told him there were many bodies in the streets, some of them their relatives. But they could not touch or bury them for fear of being shot.

Interviews with some of the refugees underlined the confusion which dominates the civil war in Timor.

In Jakarta, a Defence Ministry spokesman denied Press reports that Indonesian troops were standing by to intervene in Portuguese Timor. Indonesia rules the western half of Timor island.

Reuter

## Japanese expect new Boeing accord

By Michael Donne

THE JAPANESE aircraft industry hopes to sign soon a new memorandum providing for continuing discussions with the Boeing Company of the U.S. on the possibility of future joint development of a new civil airliner for the 1980s.

The current agreement is due to expire at the end of September, and the Japanese Civil Transport Development Association said the new pact would provide for further discussions on technical problems up to March, 1977.



## A declaration of independence from The White House

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# The Executive's World

EDITED BY JAMES ENSOR

## Bachelor builders in Oman

BY DOINA THOMAS

On August 3, a short commercial film, called A Thousand Days, was shown to a selected public for the first time. The film was a record, only slightly romanticised, of the involvement of contractors Taylor Woodrow in the redevelopment of Salalah, the southern capital of the Sultanate of Oman.

This £13m, three year Salalah project is a measure of Taylor Woodrow's serious involvement in the Middle East which started on a much smaller scale some eight years ago. Now the Middle East is the second most important territory in terms of both turnover, at £18m, and profits at £1.1m, of all Taylor Woodrow's overseas involvements which together generate a turnover of some £80m, and profits of £5m.

Taylor Woodrow's first concentrated attempt on the Middle East market started in Oman "because there was no big rush of competition there in 1967," remembers Mr. Bob Aldred, chairman of Taylor Woodrow International. The company had some experience of working in Kuwait but that was far more sophisticated than Oman in those days.

### Joint venture

"We bid for a hospital contract on the open market," recalls Mr. Aldred, "and when we got the contract we had to work jolly hard to survive on it." Taylor Woodrow came to a joint venture arrangement with a local company, W. J. Towell owned and run by an Omani, Ali Sultan. "We agreed to share the risks and the profits, at that time there was no formal, written commercial law, these arrangements were made according to the injunctions of the Koran." That partnership has now grown into a fully fledged joint company, Taylor Woodrow Towell, registered in Muscat, the Sultanate's capital.

The first hospital contract took two and a half years to complete and brought about seven Taylor Woodrow staff to live out in Oman. "They were all bachelors, or not there on a bachelor basis and it cost us about £2,000 per man to rent accommodation for them," Mr. Aldred says. Traditionally the goods had been brought

from Muscat to Salalah by dhow (there was no metalled road joining the two towns, some 600 miles apart) and manhandled through the surf. But for four months of the year, the monsoon prevents access from the sea. A modern port was an urgent necessity and was built at Rizut, the jetty had to be protected from heavy seas by nine-ton, key-shaped concrete blocks. That cost around £3.3m, and after this work could start on the airport and the town and the interlinking roads.

### Own labour

In the course of this Taylor Woodrow had to bring in more of its own staff and almost all its labour. The working population of Southern Oman is, even on the most generous estimates, only numbered in thousands; workers are normally brought in from Pakistan. That costs roughly £750 per man, board and lodging during his two-year stay have to be found and the return passage paid.

Towards the end of the Salalah project with water systems, a hospital, an abattoir, a telephone exchange and government and military housing completed, Taylor Woodrow Towell found itself with a complement of around 190 staff in Oman, a quarter of whom were married and had taken wives and families with them. "It now costs around £10,000 to £12,000 a year in rent to house these people," says Mr. Aldred, "this includes quite high charges for the utilities, water and electricity."

But Taylor Woodrow Towell is itself attempting to alleviate the chronic shortage of housing that leads to such inflated rents. It is doing this through its first development project in Oman, Medinat Qaboos, a new town just outside of Muscat. Houses and flats, providing two to five bedrooms (and always a room for a servant) are being built. "It is an extension of our traditional estate development business," says Mr. Aldred. In this particular instance Taylor Woodrow Towell is the managing agent for the project though it does also appear in other guises occasionally as architects, or as

MALMO, IN Southern Sweden, hardly seems a likely base for one of the world's most successful shipbuilding companies. Swedish shipyard workers, earning Sw.Kr.50,000 or £5,500 a year, are the world's highest paid, even before the compulsory 40 per cent. State social benefits and high overheads of social facilities which they expect are taken into account. The Swedish merchant marine is small, with only a couple of lines that rank on a world scale, so the yards must compete in tough world markets to survive.

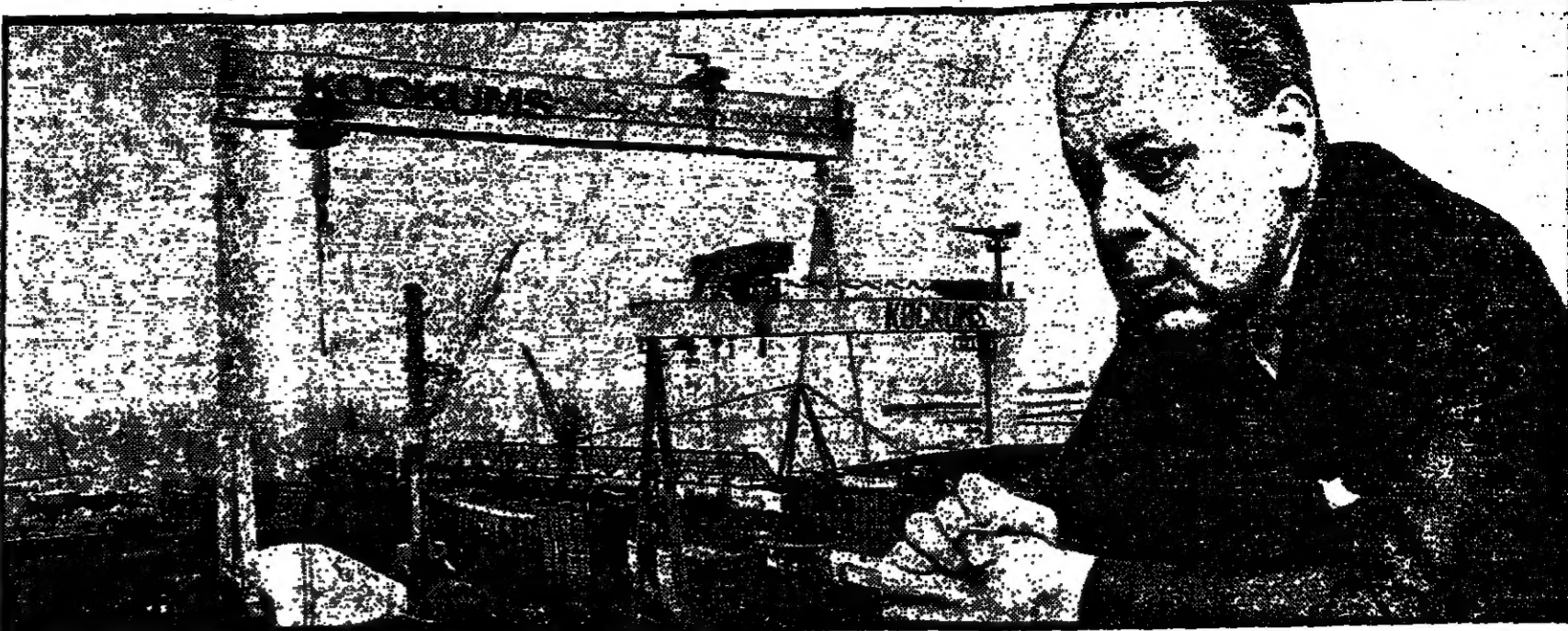
Sweden, like most other European countries, has overcapacity in shipbuilding, compounded by the recent slump in the tanker and bulk cargo markets. Yet, unlike Britain, France or Germany, Swedish yards are not supported by heavy State subsidies. Of the four major yards, two have been consistent money losers throughout the 1970s with one, Eriksholmen at Göteborg, building up to a 17 per cent. rate of loss on turnover during 1974, which must put its future existence in question.

Kockums, at Malmo, too has had a chequered financial history. In the mid-1960s, at the nadir of the last shipping slump, it was losing money heavily and betrayed all the signs of a sick company. Labour turnover was 50 per cent. per year and it was difficult to recruit Swedes to work in the yard. A diversification into industrial products such as saw mill and logging equipment, designed to counteract the cyclical nature of the shipbuilding work, had instead accumulated large and accelerating losses amounting to £6m. on turnover of only £42m. Subsidiaries established all over the world in a drive to make Kockums an international industrial company were not properly controlled. And to cap matters, the shipyard itself was losing money and was embarking on the uncharted and difficult task of building Liquid Natural Gas carriers.

Yet today Kockums is one of the world's most profitable shipyards. The productivity of its Swedish, Finnish and Yugoslav work force is—by its own claims—twice as high as that of its Japanese competitors, Ovin from running IBM's Euro-

James Ensor in Malmo describes how investment, specialisation and advanced social policies helps Kockums in

## Beating the Japanese in productivity



Mr. Nils-Hugo Hallenberg, managing director, and Kockums' slip way with the mammoth crane which lifts 1,500 ton ship sections.

pean office products division in Paris to head the industrial group.

The third factor was Hallenberg's decision, as he puts it, to "industrialise the yard, for you can't live in the Nineteenth Century for ever." Heavy investments in a new 75 metre wide dock capable of building ships up to 700,000 dwt, in a huge gantry crane capable of lifting 750 ton prefabricated sections, then in an even bigger monster to lift 1,500 ton units. This crane, the world's largest, transports complete hull and superstructure sections from the vast welding shed back and forth through the shipyard and is lowered slowly and precisely into position.

### Tanker boom

The fourth factor, which the modest but confident Hallenberg is quick to stress was that a world boom in the tanker market came just at the time when Kockums had resolved to concentrate on repetitive assembly of a line of 255,000 and then a similar 380,000 supertankers. As Mr. Hallenberg says, the order for the world's two first LNG tankers, very complex ships which involved Kockums in pioneering new construction methods, probably saved the yard. "For the first time, we got a price which enabled us to make a profit; we couldn't get anything before which enabled us to do better than a 10 per cent. loss, before those two gas carriers," he says.

This gas carriers and the identical line of tankers were being designed and built at the same time as Kockums was completely rebuilding its yard. "We had the choice," says Mr. Hallenberg, "of doing the best with the facilities we had—traditional small slipways—or of building a new yard." And he adds: "At that time, the Japanese were talking of 250,000 ton tankers so I said we must have a dock to build 350,000 tonners; then they talked of 350,000 tonners so I said 500,000 tonners. In the end, due to a misunderstanding of remark, the dock was built for 700,000 tons, 5 metres wider than Hallenberg had specified. "We will never see those

ships," he says, "but I was not unhappy that we had the capacity to build them if need be."

Kockums' investment in both plant and equipment and research and development to keep its methods abreast of rivals has been enormous. In 1974 and 1975 some Sw.Kr.400m, (£45m.) has been spent on plant, including the 1,500-ton gantry crane and a brand new workshop for ship components. Development spending has been running at Sw.Kr.12m. (£13m.) a year for the past four years and in several respects, such as its highly automated flat panel welding line, Kockums claims to have the world's most advanced techniques.

But perhaps the greatest advantage it has, particularly over British yards, is its labour policies. The Kockums Report, produced by a sociologist working for the Swedish LO union organisation highlighted reasons for dissatisfaction with the company which had led to high labour turnover and shoddy work. Piece rates with unfair differentials, poor working conditions, "competition" from workers imported under labour sub-contracts and lack of information and participation were the key areas of complaint.

Mr. Hallenberg accepted the report, highly critical in some areas, and promised to implement all its recommendations, perhaps the most outstanding case of a manager publicly accepting outside criticism in Swedish business history. The wage system was reformed providing a high basic wage and a small bonus tied to overall yard performance. Workers were divided into teams, ranging from four up to 25, each allocated a certain area of work and allowed a high degree of flexibility in accomplishing it to schedule. Research to make the welding cleaner and quieter; to reduce noise and smoke and eliminate heavy lifting was pushed ahead, with worker co-operation.

The existing structure of works councils and joint management worker committees was vastly extended and refined so that almost one in ten of Kockums' employees now sits on some committee dealing with anything from his own sub-section to the yard as a whole.

Maintenance methods, production, machine operations and outfitting, working environment and health—each has its own committee which discusses and proposes ways of making the work better, easier and more efficient.

Mr. Hallenberg, clearly a good listener, has implemented most of the suggestions though the councils have little legal force to make him take decisions with which he disagrees. In most cases he has gone beyond the minimum demands, building a huge recreation building, with swimming pool and exercise rooms, and good canteens. "We built a new restaurant," he says, "even though the workers hadn't demanded it, because conditions were very bad and we wanted to give them dignity." To-day, Kockums is building an even larger "Free time hall" with bowling links, squash courts and outside an artificial lake for sailing. It will cost £2m. but Hallenberg considers the investment well justified—and the labour turnover figures which have declined to 10 per cent. (or 10 per cent. if summer students are excluded) indicates that the workers find Kockums a better place to work than before.

### Graduates

The steady, consistent work of the Kockums worker, his intelligence, ability to work with little supervision from complex blueprints is undoubtedly one of the major advantages which Kockums possesses over many of its rivals—especially according to Mr. Hallenberg over the Japanese. Kockums, like the big Japanese yards, has a high proportion of university graduates on its staff, indeed there are so many that they have their own white-collar union. Its workers too are well educated in technical methods and well aware of their importance to the quality standards on which Kockums depends. So good is the atmosphere between workers and managers that Kockums has even been able to make a film about itself, the dialogue of which is almost entirely shipworkers' commentaries.

Clearly Mr. Hallenberg has succeeded in bringing together the right ingredients of worker

involvement and interest, highly capital-intensive methods and rigorous specialisation at just the right time. He concedes frankly that the future is tough. "No shipowner has the courage to order when everyone is cancelling," he says "and we will have to find other things to do to replace the tanker business: the most interesting is gas carriers where the U.S. is creating an enormous demand." But he adds a note of warning that "the over-capacity in shipbuilding is considerable; and it will take an enormous amount of difficulty to get out of this."

### Rationalised

This is where the industrial group headed by Mr. Hans-Erik Ovin becomes important, for it is situated in growth markets of lumber, logging, saw mills and mining vehicles. The random bag of companies which Kockums bought all around the world has been severely rationalised by Ovin and the losses eliminated. The company is now dependent on markets for wood industries from tree felling through to plank handling in the big timber markets of Scandinavia, Canada and the U.S. with a growing interest in Brazil. It builds and sells the most technically advanced and capital-intensive production systems, for Scandinavian forestry is far more mechanised than North American, and Ovin expects both the profits and the turnover of his group ultimately to exceed that of ships in Kockums' balance sheet.

With management systems drawn from IBM practice, a good forecasting and product evaluation system and typically Swedish thoroughness in product quality, the outlook for Kockums' forest and mine equipment looks reasonably fair. Ovin himself has little doubt about the future, although he admits that Kockums can scarcely compete directly with Caterpillar and Komatsu in general earth movers and industrial vehicles. Advanced design, rigorous specialisation and an ability to tap the skills of its workforce and staff are the qualities which will carry Kockums through the slump in world shipbuilding, without the need for State support.

This announcement appears as a matter of record only.



## COMPANHIA VALE DO RIO DOCE

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### PENSIONS

## The British prefer cash-in-hand

BY ERIC SHORT

WITH THE PASSING of the Social Security Pensions Act, 1975, there are good grounds for believing that we have at last an earnings-related state pension scheme, scheduled to start in 1978, that will endure at least for the next decade.

Employers will soon have to make the decision whether or not to contract out of the second tier pension of the proposed scheme.

Pension consultants are agreed that for many employers there will be little financial incentive favouring contracting out. They expect that where a good occupational pension scheme does not already exist, many employers will, because of financial and other reasons, consider going wholly into the state scheme.

But, despite the claims of the Secretary of State for Health and Social Security, there are some large gaps in benefits provided by the proposed scheme compared with what can be secured by a private occupational scheme. Two of the biggest omissions are the allowance for past service in assessing benefits and the provision of lump sum benefits both on death in service or at retirement.

Employers are likely to come under pressure to plug these gaps by some sort of topping up arrangement. Indeed, Mr. Harry Lucas, head of the pensions

division of the General and Municipal Workers Union, spelt out at a recent pensions conference the arrangements for "riding on top" which his union would be seeking from employers who did not contract out of the state scheme.

### Lump sum

One of his requirements was the provision of lump sum benefits on a non-contributory basis. It would appear that the British worker still prefers cash-in-hand to payments in the future, a fact that the designers of the state scheme ignored in drawing up the benefit structure.

The actual arrangement of a supplementary scheme to provide such additional benefits should be a straightforward operation. Lump sum payments already form part of most, if not all, pension packages marketed by life assurance companies.

Death in service sums are provided in insured schemes by means of a group life arrangement with the benefit being determined as a multiple of the employee's salary. Although it is now part of the overall benefit package, there is no reason why it should not be written on its own, as indeed it was in the past. The standard form of benefit is twice salary, but provision of up to four times salary will be allowed by the

Irish Revenue for tax qualification purposes.

The costing of the scheme in itself is quite simple, the premium for each employee for the year in question being calculated and aggregated for all employees. Arrangements can be made to allow for continuous entry and withdrawal of employees and to adjust the cover for salary increases during the year.

The average premium for a typical age distribution of employees would be about 0.5 per cent, so provision of a death in service benefit of twice salary would cost employers roughly 1 per cent of payroll, the cost being fully deductible for tax under current legislation and practice.

A current specimen scale of premiums would be as follows:

Age	Premium %
25	0.13
35	0.15
45	0.30
55	1.00
60	1.65

The provision of lump sums at retirement is more tricky, since under a complete pension scheme it arises as the commutation of part of the retirement pension. There are strict revenue limits set on the amount of lump sum that can be provided, namely 3-80ths of final remuneration for each year of service up to a maximum of 14 times for 20 years or more.

Thus the lump sum on retirement is a lower multiple of salary than the death sum and there is possibly a case for the Revenue to reconsider the position. There is no problem providing the benefit. The funding of many pension schemes is now on a cash accumulation basis, which means the contributions of both employee and employer are, after deductions for expenses and death cover, accumulated until retirement when the sum is used to provide the retirement benefits.

### Death cover

Such a scheme will need little adjustment, all that is left out is the provision of death cover and the purchase of the pension. If, despite Harry Lucas's suggestion, the scheme is contributory, it is usual to return the employee's contribution with interest should he die in service. A non-contributory scheme would allow for deaths in service in calculating the employer's contribution. This again should qualify for full tax relief.

Consultants and insurance companies are likely to be giving a lot of thought to such schemes that can "live on top" of the proposed state scheme. It will be interesting to see how this sector of employee benefit provision develops, once Mr. Foot gives the green light.

مكتبة جامعة القاهرة



## LABOUR NEWS

## Swan Hunter strikers are warned on defence orders

BY CHRISTIAN TYLER, LABOUR STAFF

SHIPYARD WORKERS at Swan yards meet later this week to elect a new committee. The strikers' vote, only narrowly won, was to continue the strike for a further seven weeks. The strikers' vote, only narrowly won, was to continue the strike for a further seven weeks. The strikers' vote, only narrowly won, was to continue the strike for a further seven weeks.

Union officials, who are trying to get the 5,000 outfitting and ancillary men back to work, told strikers that the Government could penalise the company by withdrawing orders for naval vessels, if it gave in and broke the anti-inflation guidelines.

Such an embargo on Ministry of Defence contracts would be a serious matter in the present recession, Mr. Ken Baker, a national officer of the General and Municipal Workers Union said yesterday.

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## U.S. certificate for Concorde looks likely

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PROVIDED Concorde can win a Certificate of Airworthiness from the U.K. and French authorities, there should be no difficulty in getting a C of A from the U.S. Federal Aviation Administration.

This view emerged at the end of last week, from a series of test flights conducted in Concorde by pilots from the FAA, led by Mr. Dennis Tuck.

Aerospace, the French partner in the Concorde programme, said that after 13 hours of test flying, the U.S. team had said there was no reason for the FAA to oppose validation of the U.K.-French Airworthiness Certificate.

FAA validation of the aircraft's airworthiness covers not its technical suitability for airline service with U.S. airlines, and does not extend to its "social acceptability"—that is whether or not it will be allowed into U.S. airports on grounds of noise.

Those aspects of Concorde are still under review in the U.S., where the FAA is due to issue a final "environmental impact" statement within a few weeks, upon which will be based recommendations to the U.S. Government for approval of Concorde operations into the U.S.

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TUESDAY, AUGUST 26, 1975

## A timely inquiry

THE GOVERNMENT last week announced that it would carry out a "forward-looking and constructive" review of the Post Office. Such an inquiry had been strongly pressed by the Post Office Users' National Council, with backing from MPs of all parties. The pressure stems not only from the spectacular increases in postal charges (which are to go up again at the end of next month), but from the widespread belief that there are serious and deep-seated weaknesses in the way the Post Office is run. It is perfectly true that inflation and Government price restraint have had a crippling effect on the Post Office's finances; economic pricing is now being restored. But there is disturbing evidence of gross inefficiency within the Post Office, particularly in its use of manpower: this must be the prime target of the new investigation.

## Work study

It appears, for example, that because of trade union resistance the Post Office management has been unable to obtain accurate information on how many letters and parcels pass through its sorting offices. The application of conventional job evaluation and work study techniques to the clerical side of the business is still being resisted. The Prices and Incomes Board pointed out in 1968 that productivity improvements, however simple and obvious, often took years to implement because the union negotiations were so laborious: the same problem persists. Whether the responsibility lies with management or with rank and file obstruction is for the inquiry to establish; what is not in dispute is that the Post Office is over-manned and that opportunities for considerable increases in productivity are available.

A second area for investigation is whether the Post Office can be made more manageable by having off the telecommunication side as a separate business. This is a huge enterprise, employing nearly 250,000 people. It is going through a period of rapid technological change, and there is a case for giving it

an independent status, so that the management can devote itself wholeheartedly to the task of improving the telephone service and making it pay; they would then be separately accountable for their performance.

Thirdly, the inquiry will have to consider the quality of service now being offered, especially on the postal side. The Government has asked the Post Office not to proceed with certain service cuts pending further discussions: these include the closing of Post Office counters on Saturday afternoons, the abolition of Sunday collections and the withdrawal of second deliveries in rural areas. Yet cuts along these lines are inevitable if the Post Office is to stand on its own feet commercially and to keep its costs and prices down to a level which the market will bear. The alternative, suggested by POUNC, is for the Government to recognise that the postal service contains an inescapable "social element" which should be financed by subsidy. The present financial state of British Rail should be enough to warn the Government against this suggestion.

Fourthly, the inquiry should examine how far the monopoly of postal and telecommunication services is economically necessary and whether the introduction of private companies into certain parts of this business could provide a better service to the customer.

## No magic formula

The new investigation will not produce any magic formula for transforming the present system; the labour-intensive postal service does represent a difficult management problem which other countries, notably the U.S., find just as intractable. But a well-staffed and independent inquiry team, given a maximum of six months to complete its work, should be able to identify the obstacles which are preventing the Post Office from achieving the optimum level of efficiency and to set out the changes necessary for that level to be reached.

## Floating rates in practice

IT IS NOW more than two years since the widespread adoption of floating exchange rates and it is possible to make a provisional assessment of how the change has worked out during a particularly difficult time in world trading relations. The review of developments since March 1973, when the Smithsonian agreement broke down, is accordingly, a particularly useful feature of the new annual report of the IMF.

In terms of numbers, the majority of countries are still tied to a single currency, mostly the dollar, but sometimes the French franc or the pound sterling. These are, however, mostly smaller states. Countries accounting for 70 per cent of members' trade are either floating independently, or jointly in the European "snake".

This mixture of relationships was always expected by the advocates of floating. There is also nothing surprising in the fact that floating has not been "clean". If anything, official intervention has been less than might have been expected; the guidelines adopted by the Fund in June, 1974, have been more or less followed, and competitive depreciations or appreciations avoided. The general judgment of the IMF is that, despite erratic fluctuations, there is little evidence that flexibility has seriously impeded world trade. On the contrary, crises of the type that led to evermore frequent closures of the foreign exchange market, and emergency meetings of Finance Ministers up to March, 1973, have been avoided.

## Many problems

There have, of course, been plenty of problems. The most successful aspect has been that over a two-year period effective exchange rate changes have almost completely offset large divergences in the movement of wholesale prices among the main industrial countries. Some of the drawbacks arise from the absence of properly developed forward markets in the less advanced countries, or the insistence of some oil-producing

countries on firm quotations for long-term contracts in the national currencies of the exporter. But these would still have been present with par values liable to change.

Rather more serious have been the short-term fluctuations around the underlying trend. The long-term decline of the dollar against the German Mark was, for instance, interrupted by a period in the second half of 1973 when the dollar rose by 20 per cent. The use of exchange rate quotations between the dollar and the European currencies does, however, exaggerate the fluctuations, as a great deal of both U.S. and European trade is carried out with other countries whose currencies move much less against these main blocs.

## Likely trends

Currency fluctuations are partly the reflection of changes in relative interest rates in different international centres, which under the old system would have produced massive reserve movements. But as the IMF points out, changes in relative interest rates which just reflected the business cycle, and were expected to be temporary, could be offset by fairly minor exchange rate movements. The real trouble is that interest differentials have been aggravated by sudden shifts in sentiment about the likely trend of inflation rates in different countries. Contrary to much Ministerial rhetoric, the world can accommodate large differences in inflation rates and large differences in money supply growth, so long as these are stable. The real difficulties are caused by erratic changes in monetary growth, and speculation about such changes. The roots of international financial disturbances lie in the attempts of national governments to "fine tune" their domestic economies. The international price might be more worth paying if the domestic results were a little more successful.

To-day sees the first of a new round of international economic conferences starting in Georgetown

## 'Towards a new international economic order'

By MALCOLM RUTHERFORD, Diplomatic Correspondent

"THE BRITISH Government fully accepts that the relationship, the balance, between rich and poor countries is wrong and must be remedied. That is the principle on which my proposals rest: that the wealth of the world must be redistributed in favour of the poverty-stricken and the starving."

That was Mr. Harold Wilson addressing the Commonwealth Prime Ministers' Conference in Jamaica last May. His distinction was that he became the first leader of an industrialised country to put forward proposals for what had long been known within the third world as the New International Economic Order. With Mr. Wilson's speech the new order advanced from being a slogan to something that is now under practical discussion and may become a reality.

Mr. Wilson's initiative led to the appointment of a Commonwealth committee of ten experts instructed to produce "a comprehensive and interrelated programme of practical measures directed at closing the gap between the rich and the poor countries." This committee has now reported and its findings will be the main subject of the meeting of Commonwealth Finance Ministers which opens in Georgetown to-day.

## International sessions

Georgetown will be only the first of a series of international sessions over the next few weeks, all concerned with essentially the same theme of the new economic order. At the same time the Foreign Ministers of the group of non-aligned countries, which consists of virtually the entire third world and includes a number of Commonwealth members, will be meeting in Lima. The new economic order is very much on their agenda. Then, from September 1-12, the United Nations meets in special session in New York to discuss "major themes of the development process," which is simply the new order in other words.

Even this is not the end. The new order is likely to play a prominent part in the annual meetings of the World Bank and the International Monetary Fund in Washington next week. And, by mid-October, there should be a resumption of the dialogue between the major producers and consumers of oil and the developing countries which proved so fruitless when it opened in Paris last April, but which now seems to have been better prepared. Similar discussions are also going on within the OECD, the GATT (where new multilateral trade negotiations are already

under way), the Group of 77 (which is another name for the non-aligned group and now numbers over 90 rather than the original 77), and the United Nations Conference on Trade and Development (UNCTAD).

Anyone who asks how all these discussions in different form fit together gets a simple answer: nobody knows. The overlap is freely admitted, but

sent world population is about 4bn. Of these, about 1.2bn.—2bn. if China is included—live in countries where GNP per head is less than \$200 a year. At the other extreme, about 600m.—or about one-seventh of the total—are in countries where GNP per head is between \$2,000 and \$5,000. This degree of disparity in incomes is not accepted by the developed countries themselves within

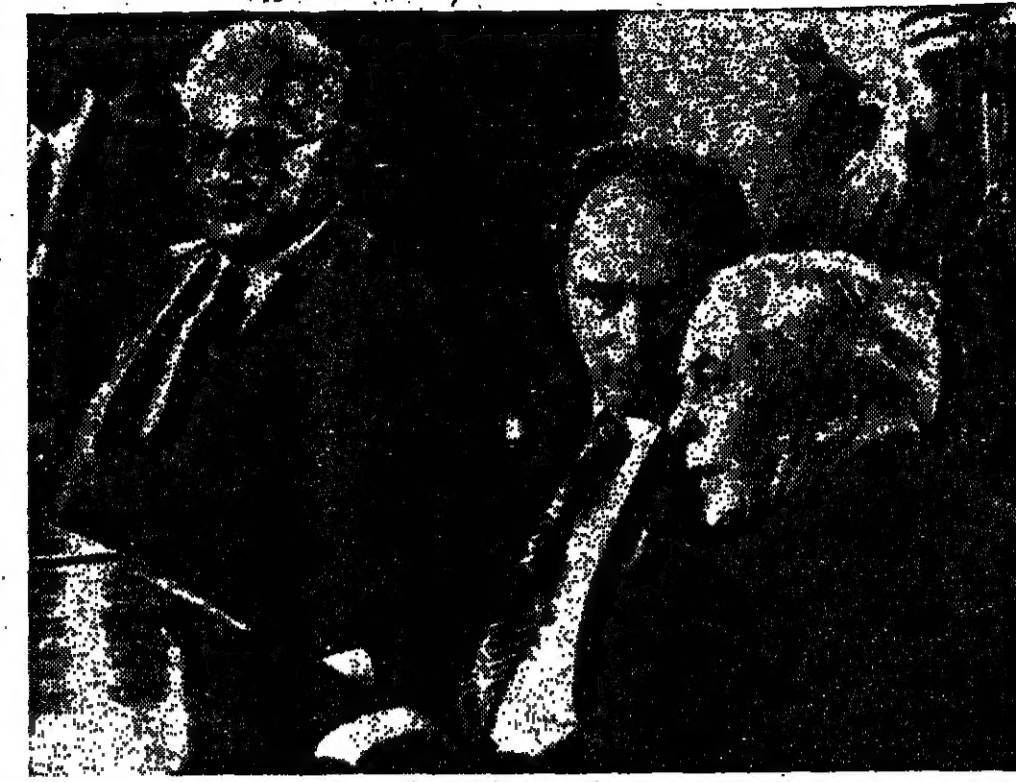
earnings from commodity exports, but he stressed that there is also a clause about protection for importers against fluctuations in prices. The report goes a long way towards accepting the principle of indexing the price of raw materials to that of manufactures. "At the very least," it says, "commodity arrangements should provide for adjustments in commodity prices which would bear some accepted relationship to changes taking place in the price of imported goods." It fully endorses the UNCTAD call for an integrated approach to commodities, which means dealing with groups of commodities together rather than on an individual basis, as previously favoured by most developed countries including Britain, and it calls for the creation of buffer stocks for a number of commodities and of a common fund to finance them.

All this is on commodities alone. The report also proposes priority for the developing countries in the creation of new Special Drawing Rights (SDRs), require partners in the developed world, both Western and Communist, except in the very few cases where the developing countries have a large share of reserves—copper, tin, bauxite and phosphates. The point is made not because the attempt to transfer resources to the third world is wrong but because it might be better to recognise it as a moral imperative rather than a confused commodity agreement and imaginary notions of producer power. The confusion between trade and aid runs throughout the Commonwealth document.

The Germans are not alone in their scepticism. There is also the U.S. Treasury which has rigorously opposed commodity agreements in the past and Dr. Henry Kissinger who over the past few months has blown hot and cold. Indeed, if the non-aligned countries were to decide in Lima this week to seek the expulsion of Israel and/or South Africa from the UN, the U.S. reaction would probably be so strong that the whole dialogue would be endangered.

That is one of the reasons why Dr. Kissinger is seeking a further Middle East settlement before the UN special session opens on September 1. The European Community has not yet seen the Commonwealth report and the Communist bloc has also yet to declare its hand.

There are signs, however, that the third world is beginning to shed some of its rhetoric as it realises that the developed countries are coming out, at least, of the way to meet it. If so, Mr. Wilson's initiative will have been partly responsible. One of his problems now will be to take the industrialised world along.



Mr. Harold Wilson (right) with M. Pierre Trudeau and Fiji's Prime Minister, Ratu Sir Kamisese Mara, at the Commonwealth Prime Ministers' Conference in Jamaica earlier this year. It was there that he said "The wealth of the world must be redistributed in favour of the poverty-stricken and the starving."

the broad intention is to try to establish some sort of joint approach within the Commonwealth in Georgetown, to hope that this does not clash too much with what is decided by the non-aligned in Lima, and then to seek a wider consensus between developed and developing countries at the UN special session. The consumer-producer dialogue could then go ahead and would probably divide into four components dealing with energy, raw materials, development and, if the Saudi Arabians have their way, financial questions. Much of this would be in preparation for the fourth session of UNCTAD, due to open in Nairobi next May, which could get down to the practical details of such things as new commodity agreements, the creation of buffer stocks and their financial support.

Many of the ideas for the new order go back well into the 1960s or earlier, and the case for trying to establish it is often based on a few simple figures. For example, the pre-

their own borders, and the theory now is that something must be done to reduce the disparities across frontiers.

Three factors combined to turn what was once no more than third world rhetoric, expressed most strongly by some like President Boumedienne of Algeria, into something approaching a common aim. The first was the way the oil producers used their power to raise their prices fivefold, leading to suggestions that other producers of raw materials might form similar cartels. The second was the world boom in commodity prices in 1972-73, which further contributed to inflation in the developed countries and encouraged fears of shortages and growing producer power. And the third was Mr. Wilson's response.

Mr. Wilson's original initiative was relatively modest. He said that producers and consumers had a common interest in reducing violent fluctuations in commodity prices. He acknowledged the importance to developing countries of increasing their

The report is called "Towards a New International Economic Order" and will probably be published in Georgetown this week. It is signed by the experts only in their personal capacity—in the British case by Sir Donald MacLennan, shortly to become U.K. Ambassador to the European Community. In other words, Commonwealth Governments are not committed to every word of it, but it is still likely to become a basic text in the search for the new order. If only because it is the first time a developed country has become so closely associated with the call for reform.

The report in fact contains most of the demands which have been coming from the third world for years. It sets out eight general guidelines for future action related to commodity policy. These include raising the real export earnings of developing countries, moving towards a more general system of negotiated and remunerative prices for primary products and providing protection for exporters against major short-

term earnings fluctuations. There is also a clause about protection for importers against fluctuations in prices.

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## MEN AND MATTERS

## Running the RAF's computers

Who runs the most sophisticated computer system for personnel management? It is a big claim, but is made on behalf of the Royal Air Force, no less, by the man who set most of it up, Air Commodore Malcolm Jolly.

The history of how the RAF became so equipped started in 1957 with a letter from the Treasury to a variety of official bodies asking them with a curious choice of nomenclature which processes were "susceptible" to computerisation. Jolly, then a squadron leader with the secretarial branch, was given what looked to be the obscure, unwanted job of finding out.

Knowledge about computers was thinly spread: Jolly's first step was to buy a couple of books on the subject. His first responsibility was the establishment of a computer system to handle all personnel and payroll work. Considering there were 134,000 people in the RAF then (against around 85,000 today), the task was considerable. Completion of it involved making 350 civilian and military pay clerks redundant. Proud though he is of the RAF's systems, Jolly admits that pushing changes through, including the initial "ruthless" cut-back of the pay clerks, is easier in the forces than with the employees rather more used to doing as they are told than those outside.

Computerisation spread to other related functions, and the latest development is the equipping of 400 terminals at offices in the U.K. and Germany using ICL New Range equipment for "personnel management information." That will be operational early next year, though

without Jolly's guiding hand. At 55, he has retired and joined the Board of Griffiths, Professional Services, the Derby-based computer consultancy group founded in 1971 by Leonard Griffiths, who had been management services chief at Rolls-Royce. Another job later this year for Jolly, who has been a prominent member of the British Computer Society, is the organisation of the Datafair industry get-together.

After the 1957 Treasury directive, the Air Ministry went on to develop their own computer systems, though Jolly is emphatic that the RAF left them far behind. Why were the three not integrated from the start? That is often asked, Jolly says, but the different and entrenched ways of handling "management" in the other services (the separate Royal Army Pay Corps set-up, for instance) made it impossible. Similar difficulties beset the huge U.S. Air Force, which sought Jolly's advice but has yet to have anything like the RAF's network.

Jolly joined the RAF on the outbreak of the Second World War, interrupting a training in accountancy in his native Newcastle. He was glad he did not go back to civilian life. "I suppose if I had, I would by now have an accountants' practice in Newcastle and be thoroughly introverted," he says.

Getting tough with Sark

Guernsey, in mainland eyes an evitable cheap port for liquor and tobacco, is having its own trouble with low-duty competition. U.K. holidaymakers to the island can save a further 20p on a litre bottle of Scotch and 60p on 200 king size cigarettes by buying their Customs con-

cessions on Sark, nine miles away. This is because Sark, a self-governing part of the Guernsey Bailiwick, has refused in recent years to come into line with the larger island's duty increases. Until now, despite lost revenue and complaints from local traders, Guernsey has shrunk from putting up a customs barrier against the 50,000 people, mainly day trippers who cross each year to Sark. It has relied on a gentlemen's agreement that the Sarkese would not take advantage of the situation.

But finally, faced with a 50 per cent rise this year in Sark's sales of spirits and a 100 per cent jump in tobacco sales, Guernsey has given up being gentlemanly. Notices have been put up on the ferries warning passengers that Guernsey's customs concessions as far as Sark is concerned is 40 cigarettes—and no liquor at all. This is being backed up by spot checks on returning trippers and the charging of duty on any excess.

Canada's job provider

Do Cam Mackie, LIP and LEAP have anything to offer on our unemployment problems? Mackie, an earnest 37-year-old Canadian, was in Britain last week just as we were announcing the latest dire jobless figures. In five years, he has given his country the most advanced programme for job creation in the world.

In name only

Notice outside a country pub called the Coach and Horses: "No Coaches."

Observer

If you have a good product you would like to market, we'll show you a good market.

The Danes have a lot of good ideas—and know how to appreciate those of others

That's why Denmark is such a good country in which to market good products. 1a Food A/S are looking for new products (branded goods) for marketing through Danish grocers and co-ops. We are a broker organisation with a nation-wide sale direct to the 1800 largest shops accounting for approximately 70 per cent of the total turnover—and we have a total wholesale coverage.

Every year we have 9 sales cycles of 5 weeks' duration which include up to three visits to every shop (depending on its size). That means with 1a-Food A/S you reach a wide section of the Danish market.

At present, we store and market among other things: Libby's canned food, Sunkist growers inc., Varta Batteries, Dome Benedict Liquor, Van Oosten Bitter and Minus Kalk (Minus Scale) from Dome Chemistry.

For further details, please write or phone:

Mr. Allan Lund,  
Managing Director,  
1a Food A/S,  
1 Frugtmarkedet,  
DK-2500 Valby (Copenhagen),  
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The unsolved problems of the creditors of Upper Clyde Shipbuilders concern all who trade with State-backed firms. By Chris Baur

# Uncharted waters of government liability

FOUR YEARS after the collapse of Upper Clyde Shipbuilders, companies' security.

The Government has to make it absolutely clear, he says, "whether or not it is in its policy to provide a special relationship with answer to one vital question: those companies. If it is not, how far should the Government be held morally or legally indeed in dissociating itself from such a special relationship?" It is this "special relationship" which the creditors and the liquidator have been attempting to define and still owed £7.6m. But...

The passage of time may have healed many wounds for the vast bulk of suppliers who are still owed £7.6m. But... with the growing involvement of Government in the affairs of non-nationalised industries, the issue of its immunity or otherwise from the consequences of trading failures such as that of UCS is far from academic. It will certainly command much wider attention than that of the few UCS creditors who are prepared to take themselves along to-morrow to the latest slightly bedraggled meeting in Glasgow's Merchants' Hall, to receive the current winding-up report from the liquidator, Mr. Robert C. Smith.

Mr. Smith himself agrees that, in attempting to establish Government liability, he and the creditors' committee of inspection are in totally uncharted waters. He feels strongly however that these waters will have to be charted soon because of the likelihood that in future — through agencies like the National Enterprise Board and the Scottish and Welsh Development Agencies — the Government will acquire substantial stakes in a growing number of companies, whose suppliers, like those of UCS, have a right

## Liquidator

The strength of their assumption was summarised in a lengthy letter sent last October by the liquidator to Mr. Anthony Wedgwood Benn, then Industry Secretary and, as architect of UCS when he was Minister of Technology in 1968. In that letter Mr. Smith recalls that the Government was the largest single shareholder in Fairfields (Glasgow), one of the five shipbuilding companies that formed UCS: that it held 48 per cent of the shares of UCS itself and had its own nominee on the UCS Board, expressly authorised to keep the Government's Shipbuilding Industry Board informed of the company's position. He further recalls that UCS was formed in implementation of Government policy, following the Geddes



Committee inquiry into the industry: that although the group was launched with "a known deficiency of capital both for fixed investment and for current trading," this was done on the understanding that the SIB would provide adequate financial support to sustain the enterprise through the estimated two-to-four years needed to achieve productive efficiency. In the event, he claims, the support offered by the SIB (about £12m. in all, through grants, loans and stock issues) fell far short of the company's estimates of its requirements and even by February, 1969, the cash situation of the company was critical.

He then describes two crucial episodes: the first was in 1969 when, having rejected the com-

pany's application for £6m. and having offered £3m. instead, the then Secretary for Trade and then Minister of Technology, Mr. John Davies, intervened personally and persuaded the UCS directors, "not to UCS under the Shipbuilding without some misgivings," to continue trading and injecting funds they knew to be in the company and its ability to fulfil new contracts. Mr. Smith says that "the intervention of a government minister who, from the minutes of the Board, urged that the action which Mr. Smith says was company should not be put into liquidation, created a strong presumption that H.M. Government was prepared to secure or the Secretary of State had been provide sufficient financial support to justify that strong recommendation. Those doing company's stability." The Government with the company's apparent blessing did interpret it in that the company's continued trading was made the more authoritative, he argues, by its October, 1970, after the Con-

that it had the "fullest information" on cash flow and the company's state of business.

Mr. Smith acknowledges that ministers and officials who were seeking to achieve a solution to the financial crises on the Upper Clyde may indeed have found such a solution in the liquidation of the UCS group and its subsequent reconstruction. "But it flies in the face of equity," his letter concludes, "if the price of that solution is to be borne not wholly by the public purse but substantially by individual creditors who continued to support a company which was known to be largely dependent on public funds and whose continued existence appeared to depend on Government influence and decision."

Mr. Smith's summary is founded on an extensive survey of the company's financial history, commissioned from Professor David Flint, Professor of Accountancy at Glasgow University. This survey, itself a devastating catalogue of miscalculations, offers the opinion that the Government was knowingly a party to the company's continued trading when there were doubts about the ability to pay creditors. The report also suggests that "there is a valid case to be represented" that the Government should accept responsibility for the creditors' debts in accordance with public policy established through the case of the Beagle Aircraft Company — though the difference here is that Beagle was a Government-owned enterprise.

On the 1969 crisis, the Flint study suggests that events "indefectably associated the Government" with the continuation of UCS on an unsound financial base. Even the change of policy implied by the change of Government in 1970 "did not

wholly exclude the possibility of further support from the Government in future." The report encapsulated the directors' general belief "that they had engaged in an enterprise in implementation of public policy and could expect not to be abandoned."

The present Government spent some five months examining the liquidators' representations and, in March this year, Mr. Benn replied in a terse note saying that there were no grounds on which a legal case against the Government could be sustained, and that he did not accept that the creditors had any moral claim against the Government.

## Avenues

There are now apparently two avenues open to the liquidator and the creditors. The first they have just taken by having an application made to the Parliamentary Commissioner (Ombudsman) on the grounds that suppliers of UCS were "misled" into believing that the Government would continue to support the venture. The Government would presumably dispute this by referring to Mr. Benn's 1969 assertion that the Government could not provide a permanent "safety net" for the troubled group, and by Mr. Davies' subsequent famous declaration that the Government could not endlessly provide crutches for "lame ducks."

A more profound difficulty however is that even if the Ombudsman found evidence of maladministration in the UCS affair (assuming he accepts the case), the Government would presumably be inclined to slam the door in the creditors' face as it did over Court Line simply by rejecting the finding. The second avenue would be to mount a legal challenge. The

liquidator and the creditors are considering doing so under Section 332 (1) of the 1948 Companies Act. They are, however, severely restricted in this section to proving that there was an "intent to defraud." To a layman, this would appear to be highly difficult to prove, and the contention of Professor Flint, echoed by the liquidator, that "no doubt, weight would be given to the considerable change in attitude towards public accountability of business concerns" since earlier cases were decided, would not necessarily put the creditors on firmer ground in court.

Anyway, it is not at all certain that funds would be made available to take the case to court. The liquidator holds £1.4m. for payment of first secured creditors, in this instance, the banks. The court would normally insist on the creditors' committee of inspection sanctioning expenditure out of funds due to some of them, for such a case to be considered the estimated £25,000-£50,000 a reasonable expenditure only if there was a real prospect of securing £7.6m. through a favourable judgment. They cannot be so sure.

There seem, therefore, to be two pieces of unfinished business from the UCS tragedy. First, does substantial government involvement in an industrial enterprise put creditors in a special position not shared by creditors of a wholly private venture which collapses? Secondly, if it does, then how do creditors go about establishing the extent of the Government's liability, when Ministers refuse to acknowledge that there is any? Mr. Smith does not know the answers. "All I do know, in my bones," he says, "is that the creditors of UCS have been very hard done by."

## Letters to the Editor

### Cars subsidise lorries

From Mr. R. Atkins, MP.

Sir,—Colin Jones, in his article "Finding the right price ticket for British Rail's future" (August 20), ignored the need to allocate equitably the costs of roads between the different kinds of users when considering direct competition between road and rail. We are not merely concerned with the total costs of roads as compared with the total costs of maintaining the railways, but to what extent "private motorist's discretionary expenditure and his subsidised commuting" helps to cross-subsidise the road user, in the main the freight lorry, which takes traffic from the rail freight services.

Even if we can determine the overall sum which road vehicle owners ought to pay for their use of the highways, it is still essential to determine whether each category of road user (light cars at one end of the scale and heavy lorries at the other) are making an equitable contribution according to the costs which they impose. Tests were carried out by the American Association of State Highway Officials (AASHTO, National Press Building, Washington, D.C.), between 1968 and 1970. The tests cost \$25m. and they had the assistance of the American Army. They were designed to "determine the significant relationships between the number of repetitions of specified axle loads of different magnitude and arrangement and performance of different thicknesses of uniformly designed and constructed asphaltic concrete, plain portland cement concrete and reinforced portland cement concrete surfaces on a different thicknesses of bases and sub-bases on a basement soil of known characteristics."

The chief finding of the tests is, on a given road pavement, whatever its thickness and structure may be, the damage caused by the application of a given axle load varies appreciably as the fourth power of the weight of that axle.

In other words, if the damage caused by the application of a given axle load of a private car (0.8 or 12 cwt approximately) is taken as the unit, then the damage caused by the application of a 9-ton axle load is 10,000 times more and that of a 12-ton axle load 160,000 times more. To be more precise, if the surface wears from new to a certain state of deterioration after the application of 1,000 12-ton axle loads, then the same result would be obtained only after the application of 160m. motor-car axle loads.

Our conclusion must be that motor-cars, especially those privately run (because those commercially run are assisted by tax remissions), cross-subsidise heavy lorries and buses, that is, private road users heavily subsidise commercial road users. The chief cause of British Rail's problem, therefore, is the heavy subsidy received by its road competitors from private motorists, ratepayers and taxpayers.

Hesitant at first, because of different climatic conditions in the two countries, the Transport and Road Research Laboratory now says that while it has not had the money to duplicate the American experiments, its own findings support the American conclusions. To apportion repair and preventive maintenance costs equitably means that these two very important items should be funded almost entirely by the heavy vehicles.

If the commercial road users were taxed according to their true cost to the market, a good deal of road freight

haulage to be transferred to the railways without any direct government action. Ronald H. Atkins, 22, Linden Grove, Preston.

### Cut-price tickets

From Mr. R. Bonwit

Sir,—It is not possible to deal with all the inconsistencies in Colin Jones' latest outburst (August 20) against the railways. I shall, therefore, confine myself here to two points raised by him.

Instead of supporting an adequate rail computer network (e.g. by allowing the Piccadilly tunnel in Manchester to be built — and thus reducing pressure on urban road space by car commuters, Colin Jones would prefer to rely solely on "parking controls" to achieve "the same objective at less cost." But more stringent parking controls will only be politically acceptable if they are part of a "package" which includes improved rail services. To stop commuters from travelling by private car without offering them a comparable rail service from the "park and ride" point to the city centre is not possible in a free society.

British Rail is "unique" — it is not: rail deficits and subsidies of greater magnitude than those complained of by Colin Jones are commonplace in Continental transport. The argument that more railway capital has been "written off" here than has been the case in France or Germany is not very convincing if one remembers that a high proportion of the cost of electrification and other tools of railway modernisation was provided by the state from the outset and that reductions in railway debts have not only occurred in a British setting.

The reason why our railways are so backward in many respects — notably in ordinary freight traffic — is the lack of consistent investment on a Continental scale. There can be no adequate "return on capital" if not enough capital has been invested to make the enterprise technically viable. There would be fewer lorries in our cities, if we had paid more attention to the provision of industrial sidings. The Germans have over 15,000 of these, against much less than one third of that number in Britain. Ralf Bonwit, Norfolk, Ringfield Heath, Henley on Thames.

### Safety at Work Act

From Mr. C. Simmonds

Sir,—Comments have appeared in your columns regarding the Health and Safety at Work Act ranging from closures to lack of impact due to the limited number of inspectors. Surely this differs little to the way in which we administer most of our preventative legislation which relies upon the good sense of the many while a small number of police deal with the villains. Is a prohibition order resulting in closure very different in impact from the loss of this licence by an HGV driver through the totting up procedure and as a result of some minor infringement in a strange town?

The Act, with its codes of practice and guidance from the executive and Commission will enable the majority to conform to standards which their employees have a right to expect

and which exist already in many works.

One aspect not mentioned, however, which could have a calamitous effect upon whole industries is the enforced power of disclosure contained in Section 26 — far more stringent than those contained in the Control of Pollution Act with regard to effluent content. Firms with products dependent upon high cost research could be put at risk equal to a far reaching prohibition notice if confidentiality is not permitted.

A little guidance here would be most helpful and restore peace of mind to many whose jobs could otherwise be at risk. Charles Simmonds, 21, Ludlow Avenue, Luton, Beds.

### Non-executive directors

From Mr. S. Smith

Sir,—More thought is now being given to workers' representation on the Boards of companies but possibly the role of the non-executive director should be reviewed.

The commonly accepted role of the non-executive director on the Board of a public company is that he can make a valuable contribution by his non-executive role in several of his experience and expertise but because he is not involved in day-to-day management he can take a detached view of the issues. Shareholders' interests, however, do not appear to have been well protected by the non-executive directors in several of the companies which have recently been in difficulties.

Perhaps the next Companies Act should require that the following particulars about non-executive directors should be included in annual reports: (a) actual remuneration (including benefits); (b) other directorships; (c) number of meetings attended out of those called; (d) amount of time possibly as per cent of his total working hours devoted to that company's affairs.

Stephen Smith, 41, Netherhall Gardens, N.W.3.

### Faults in car steering

From Mr. L. Pankhurst

Sir,—It seems to be the current practice of most car manufacturers to fit plastic liners to the steering ball joints (the rod and steering rods). The claimed advantage is that the ball joints never need greasing, and no greasing nipples are included. One of my personal experience, and two of which I have positive knowledge, indicate that the practice is not only retrograde but also highly dangerous.

Some years ago a relative arrived at my house in a small, popular car, having driven the last ten miles at walking pace with violently oscillating steering. On examination it was clear that the plastic liners on two of the ball joints had broken up and been thrown out. Our local garage showed no surprise.

"Well known in the trade" was the comment. New links were fitted. Some months later, the same driver in the same car lost steering control on a corner. He hit a wall and wrote off the car, a lucky without damage to himself. The ball joint liners had broken up.

I have a larger car in the luxury class, "built for safety" is the claim. I bought it new, it is getting on in years, its mileage is 80,000, and it has been well maintained. I first sensed trouble when I experienced a slight front wheel skid on a

corner, in dry conditions. I then realised that there was some play in the steering, which rapidly got worse. On jacking up the front wheels, there was considerable play in each ball joint of the steering rods, and on removal it was clear that the plastic liners had broken up. I fitted new steering rods and a new track rod. Cost, which is not the factor which worries me, £30.

My conclusion — plastic liners to steering ball joints are dangerous and should be discontinued. This is a case where ease of maintenance as a selling gimmick has been allowed to override sound engineering principles.

Charles Pankhurst, 8, Sandy Lane, Chester.

### Future incomes policy

From Mr. B. Hasoksworth

Sir,—I am surprised that Mr. Douglas Jay's excellent article of August 11 has produced only one response worthy of publication. I find it difficult to believe that your readers find the suggestion to be so irrelevant as not to merit further support. Surely the whole future of this country, both financial and moral, depends a great deal on the way in which we tackle inflation and our degree of success in conquering it.

The correspondent (August 14) lends a measure of support to Douglas Jay's suggestion for a permanent body to supervise incomes but by reservation he would limit this to the public sector drawing the conclusion that settlements therein would influence the private sector.

I am more inclined to support the full view taken by Mr. Jay that a permanent Incomes or Pay Board should be responsible for supervision in all sectors. I believe the public are now prepared to accept this on the basis that a restriction on increases in income is not so bad if you know that the next man is similarly restricted: most claims are based on maintaining parity as opposed to reaching for the moon. I also believe most people are aware that we cannot continue with the excessive awards of the last 12 months and this fact will be brought home even more when the price increases still to come reflect past wage increases.

There is spare money around at the moment but this will be absorbed before the present incomes year is fully out and unless the long-term strategy for control over incomes, as suggested by Mr. Jay, is in hand for the next round of negotiations, then we could well see the floodgates open again and this time I fear that we would all be drowned. B. Hasoksworth, 9, Saxon Road, Birkdale, Southport.

### Social Security payments

From Mr. J. Clements

Sir,—With reference to the latest commentary on the misuse of social security payments, I must say as an ex social security officer I have never come across payments being used to buy coloured TV sets. You will note in all these commentaries it is colour TV, neither have I known them to be used as deposits on new cars. There are no doubt widespread abuses of the system but, these are not examples. John Clements, 48, Harvey Point, Fife Road, E.16.

## To-day's Events

### GENERAL

Mr. Denis Healey, Chancellor of the Exchequer, attends meeting of Commonwealth finance ministers, Georgetown, Guyana.

United Unionist and Labour Party resume private talks at Stormont on new form of devolved Government, prior to Ulster Convention.

Public inquiry opens into Houghton colliery disaster, Barnsley Town Hall.

Sir Murray Fox, Lord Mayor of London, begins visit to New Zealand.

Hong Kong Government con-

tinues negotiations with EEC Commission on its agreement to limit textile exports to Community, Brussels.

Work resumes at two Triumph car factories at Liverpool while further discussions take place on strike involving starker truck drivers.

Mr. Eric Deakin, Parliamentary Under-Secretary of State for Trade, continues official tour of Australia for trade and economic talks.

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**PROPERTY—Continued**

2.95	0.7	10.8	Abbreviations: $\pi$ ex dividend; $\pi$ ex scrip issue; $\pi$ ex rights; ex all; $\pi$ ex capital distribution.
1.97	3.6	7.6	
4.8			
"Recent Issues" and "Rights" Page 13			
2.97	2.4	12.3	This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £25 per annum for each security
15.27	2.9	11.4	
2.44	2.8	13.6	
3.95	2.8	14.5	



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# FINANCIAL TIMES

Tuesday August 26 1975

**BRC**

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## Three-sided check on the economy

BY JOHN ELLIOTT, LABOUR EDITOR

A SERIES of high-level meetings to monitor developments in the country's economy in the coming months are to start soon involving the Government and leaders of the CBI and TUC.

They will study the latest unemployment, prices and wages figures collected by the Government, and the TUC will also give union leaders an important role in discussions on the economy and in influencing senior Ministers on future policies.

At the start the Government is likely to meet the CBI and the TUC separately, but this might develop later into a tripartite affair if relationships between the three improve sufficiently.

### TUC contribution

It is not intended that they should concern themselves with individual pay settlements and they will not therefore play the part of a Pay Board. Instead they will be considering how successful the £5 limit is in bringing down the rate of wage rises and how effective other Government measures are in controlling prices, dividends and unemployment, and in boosting investment.

The TUC's contribution to this exercise is announced today in a circular to its unions setting out the form in which it wants them to report all their wage settlements to the TUC's headquarters.

It seems unlikely, however, that this will reach more than a small proportion of settlements reached across industry and it remains to be seen whether it will be to the main economic monitoring exercise. The CBI has already refused to try to gather information on wages from its own members because it does not believe it would be successful.

But the employers group does want an overall monitoring of the progress of the policy with the TUC and Government. It considers that, ideally, this should take place within a tripartite organisation set up separately from the National Economic Development Council because it would be of a more temporary nature than the council.

The TUC expects to discuss possibilities with Ministers and the Government about the CBI next month and has not yet committed itself as to whether or not the NEDC should be the vehicle, but it has decided

## Anti-inflation leaflet to go out to every household

BY RICHARD EVANS, LOBBY CORRESPONDENT

THE NEXT phase of the massive publicity campaign to consolidate public opinion behind the Government's counter-inflation policy opens this week with the distribution to every household in the country of an explanatory 16-page pamphlet.

Deliveries to over 11m. households in the next three weeks will begin to-morrow.

The pamphlet sets out to emphasise the need for maximum support for the proposal to limit pay rises to a £5 ceiling in the coming year. It has been drafted by the Government's recently appointed Counter-Inflation Publicity Unit, which will also produce copies in Welsh and five Asian languages.

The propaganda campaign started last week with the publication of an advertisement in national newspapers and with the television broadcast by Mr. Harold Wilson. One of the reasons for the unusual timing of the campaign in the middle of the holiday season is the need to swing public opinion behind the Government before the TUC conference opens next week and before the Labour Party conference in six weeks.

The advertisement campaign, which will run through the autumn and winter, and the pamphlet take the major part of £2m. allocated to the counter-inflation campaign.

### Pay row hits train service

A BANK HOLIDAY pay dispute caused big cuts in Midland Region rail services between Euston and Watford yesterday when drivers wanted more money for working the holiday.

There were no trains during the morning and in the afternoon they ran every hour instead of every 15 minutes.

The Watford to St. Albans branch line service was cancelled.

### Weather

RAIN at times in N.W. England and W. Scotland. Elsewhere dry with sunny spells. Warm.

London, E. S.E. and Cent. England, E. Anglia, E. and W. Midlands.

Dry, sunny periods. Wind S.W., light. Max. 24C (75F).

Channel, Isles, N. and S. Wales.

Patchy fog on coasts and hills, elsewhere sunny intervals, mainly dry. Wind S.W., moderate. Max. 22C (72F).

BUSINESS CENTRES		Y'day		Y'day	
	mid-day		mid-day		mid-day
Amsterdam	20	24	Madrid	28	32
Antwerp	19	23	Manchester	18	22
Bombay	28	32	Newcastle	17	21
Calcutta	29	33	Paris	20	24
Canton	28	32	Perth	18	22
Cebu	28	32	Portsmouth	17	21
Hankow	28	32	Reading	17	21
Hong Kong	28	32	Sheffield	17	21
Kobe	28	32	Stirling	17	21
London	20	24	Swansea	17	21
Lyons	20	24	Torquay	17	21
Manila	28	32	Warrington	17	21
Medan	28	32	Widnes	17	21
Osaka	28	32	Wolverhampton	17	21
Shanghai	28	32	Wrexham	17	21
Singapore	28	32			
Sourabaya	28	32			
Tokyo	28	32			
Yokohama	28	32			

## WORLD CURRENCY REFORM

### France agrees to separate talks on main issues

BY REGINALD DALE, COMMON MARKET CORRESPONDENT

VENICE, August 25.

PROSPECTS FOR early progress towards reforming the international monetary system have improved considerably because of an important concession by France at the informal meeting of EEC Finance Ministers here yesterday.

M. Jean-Pierre Fourcade, the French Finance Minister, agreed to separate discussions on the three main issues under discussion—gold, redistribution of international Monetary Fund quotas and future rules for exchange rates. These had previously been linked in a reform package.

This should mean negotiations can now proceed on the two "easier" problems of gold and quotas while the question of new rules for currency floating and exchange rates, on which Washington and Paris are still far apart, is postponed. France has been pressing for a return to more stable exchange rates as soon as possible, while the U.S. favours continuing exchange rate flexibility.

Commenting on what he described as "a very important compromise," Mr. Denis Healey, the Chancellor of the Exchequer, said it should now be perfectly possible to agree on gold and quotas in the series of international monetary negotiations that start in Washington at the week-end. The U.S. should be happy with the EEC's approach, he added.

### Free market

On gold, the Community will now propose a jointly agreed plan for stocks currently held by the IMF, together with new rules allowing transactions between central banks at prices reflecting those on the free market.

The suggestion is that one sixth of the Fund's gold should be returned to the countries that originally contributed it, one sixth sold—either to central banks or in the free market—and the remaining two-thirds retained by the fund. Profits from gold sales (amounting to as much as \$50m.) would be used to aid developing countries, particularly the poorest.

On quotas, on the other hand, the Community now appears ready to concede some ground to the U.S. position. In the plan, reduction of industrialised countries' quotas to



M. FOURCADE—important concession

accompany a doubling of those of the oil states, the U.S. is insisting that its own quota remain above 20 per cent, to maintain its official blocking vote in the fund. Although the Nine will initially stick to their earlier proposal, under which the U.S. share would be cut to below 20 per cent, they now seem prepared to agree to the 20 per cent figure.

Mr. Healey said the aim would be to finalise agreements on gold and quotas at the meeting of the Interim Committee for Monetary Reform, in Jamaica next January. A further important step for developing countries was the Nine's agreement to contribute to interest rate subsidies under the fund's oil facility, Mr. Healey said. This could help the U.S. Administration persuade Congress to agree to an American contribution to the scheme.

In a discussion of economic problems, Mr. Healey told his partners the U.K. felt relations measures planned by France and Germany did not go far enough—a view supported by the Netherlands, Italy, Ireland and Denmark.

### Main complaint

The Chancellor's main complaint was that Germany and, to a large extent, French measures would concentrate on promoting construction and public works, and do little to increase imports. In a discussion of economic problems, Mr. Healey told his partners the U.K. felt relations measures planned by France and Germany did not go far enough—a view supported by the Netherlands, Italy, Ireland and Denmark.

Editorial comment and "Towards a new international economic order" Page 10

## Agreement likely on 'solidarity fund' for Third World

BY HUGH O'SHAUGHNESSY

LIMA, August 25.

A POWERFUL new multi-million dollar Solidarity Fund for the Third World, a separate fund to finance the buffer stocks needed to support raw material prices, and a council to co-ordinate the actions of the raw material producers' association are three of the concrete results expected to emerge from the conference of Non-Aligned Foreign Ministers which opened here this evening.

Nearly 100 countries are represented at this gathering, the most numerous of the meetings being staged in preparation for next week's special session of the UN General Assembly and the subsequent IMF and World Bank meetings.

Amid some intense procedural jockeying, the Foreign Ministers of the traditional non-aligned countries, such as Mr. Y. B. Chavan of India, Mr. Abdul Aziz Boucif of Algeria and Mr. Adam Malik of Indonesia, have been joined by a growing number of representatives of countries with observer or guest status including Rear Admiral Alvaro Pereira of Portugal, and envoys from Australia, Austria, Romania, Sweden and

the Palestine Liberation Organisation.

According to conference sources, draft statutes for the new Solidarity Fund are ready for Foreign Ministers' approval and there are hopes that the bank could be inaugurated by the end of this year. It envisaged that all non-aligned countries would be asked to make a small standard capital subscription of \$200,000 or \$300,000 which would be topped up to perhaps \$7m. by voluntary contributions from the richer members.

Kuwait is expected to give a powerful boost to the Fund by formally confirming an offer of \$230m. The bank's funds would be devoted to development projects in member countries and, according to officials, would operate much on the lines of the European Community's European Development Bank.

In addition to the Solidarity Fund a separate fund is expected to be set up to finance buffer stocks of those commodities in which the conference participants saw the greatest need for stabilisation. The Fund would be

administered in accordance with recommendations already formulated within UNCTAD.

Much preliminary work has already been completed on the establishment of a raw material producers council.

In the political arena, the heads of the Arab delegations to the conference yesterday formally announced that they would call on the non-aligned countries for assistance in a renewed diplomatic offensive against Israel. The conference also will be considering Syrian and PLO resolutions seeking the expulsion or at least the suspension of Israel from the UN.

While Arab sources are naturally playing up the unusual nature of the Arab decision taken yesterday seeking the expulsion of Israel, the conference is also a working party, other conference sources see the non-aligned working party idea as a way of papering over the deep divisions of opinion among Arab delegations, notably Egypt, about the advisability of expelling or suspending Israel from the UN.

Commonwealth Finance Ministers meet—Page 5

## Floating: cautious IMF support

BY ADRIAN DICKS

WASHINGTON, August 25.

A CAUTIOUS endorsement of the system of managed floating exchange rates is given by the International Monetary Fund in its annual report, published here yesterday.

The Fund says that "on the whole, exchange rate flexibility appears to have enabled the world economy to surmount a succession of disturbing events, and to accommodate divergent trends in costs and prices in national economies with less disruption of trade and payments than a system of par values would have been able to do."

But the report also raises the question of whether present arrangements "could have been managed better, and whether they will continue to be appropriate in a calmer period for the world economy."

It says: "Rate fluctuations that have occurred in the past two years—both day-to-day and of somewhat longer duration—have in some cases greater than could be justified on the basis of changes in underlying

economic conditions. It is difficult, admittedly, to distinguish a temporary movement from a trend, but the record of the floating period is not wholly satisfactory in this respect."

The Fund hints that it might favour a return to a more active government presence in foreign exchange markets when it marks the reduction in government intervention which would help to diminish uncertainty and thus tend to decrease the risks attached to international trade and investment.

Reviewing the world economy during the past 12 months, the IMF says that "the generally expected turnaround of aggregate output in the second half of 1975 hinges mainly on an increase in real consumption, and on the adjustment of business inventory conditions."

It says that "the current recession follows the general pattern of earlier post-war economic cycles, though the Fund acknowledges

fears that the severity of the downturn may make recovery slower."

The report steers a careful course between too great a degree of stimulus and too strong a preoccupation with inflation on the part of industrialised countries. It also raises the question of incomes policies in those countries, suggesting that without such steps "it may prove very difficult in some countries to limit the effects of cost pressures on prices and to achieve price moderation, except at the expense of greater unemployment."

The Fund appears to take a fairly calm view of the international payments positions of major industrial countries, but it sounds a fresh warning—echoed by the World Bank and other multinational institutions—about the plight of non-oil producing developing countries.

World Bank report Page 5  
Editorial comment Page 13

## THE LEX COLUMN

### Where disclosure is needed most

Few people would now dispute that the corporate sector has responsibilities towards a large sector of the community, and the accountants, in their discussion paper "The Corporate Report," are proposing a number of ways in which these duties can be identified and disclosed. But however interesting this debate may turn out to be, the accountants have more pressing priorities to tackle.

The first, inevitably, is to find an acceptable way of dealing with the inflation illusion. One point to notice pending the imminent publication of the Sandilands report is that the accountants seem to be moving in theory, at least—in favour of a form of current value presentation, whether by replacement cost, realisable value, or some other combination.

### Restrictions

In addition, it would be helpful if the accounts were to give some indication of where a company stood in relation to any borrowing restrictions it might have. Admittedly there are arguments against this, in some cases, such information would be very complicated and lengthy. Sometimes it could give a misleading impression of strength, since shaky companies cannot count on being able to borrow up to the theoretical limit. Borrowing restrictions are usually flexible, and can be increased with the approval of the appropriate stockholders, and in many cases there is a watchdog already, in the shape of the trustee.

However, no one noticed that Court Line had apparently unwittingly put itself in breach of its borrowing powers during 1973 until some little time after the accounts were published, in March 1974. Some trust deeds are just too complicated to be interpreted by outsiders. On other occasions, no public documents are available. The loan with which Burnham Oil financed its Signal Oil acquisition comes into this category, and its (undisclosed) contingency clauses were what triggered off last winter's upsets.

On a slightly different tack, the existence of borrowing limitations has played an obvious role in deciding the scale of provisions deemed to be appropriate by a number of secondary financials in recent months—so that in some cases, the write-downs have not been as conservative as they otherwise might have been.

Pension practices are another exclusive subject in most accounts, and different types of treatment can have a substantial impact on published profits. For example, Unilever decided last year to increase its annual contribution by £8m.—which is equivalent to a capital sum of about £100m. This kind of quantification is very much the exception rather than the rule. In "The Corporate Report" an example of how pension details might be presented, showing the type of scheme and number of employees involved, is given.

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Continued from Page 1

### Rhodesia

manager of South African Railways which was parked at the Victoria Falls station.

This was President Kuanda's first visit to Rhodesia since the talks over dissolution of the Central African Federation in 1963.

After talks lasting 90 minutes which both men described as useful and fruitful, Dr. Kuanda took his South African guest back to Livingstone for lunch. The two men then rejoined the Falls conference about 30 minutes after the Rhodesian and ANC teams had resumed their discussions. They stayed at the Falls until about 5 p.m., when Mr. Vorster again went to Livingstone for dinner with Dr. Kuanda.

The fact that the two sides have spent so long under such pressure from South Africa and Zambia discussing the seemingly trivial mechanics of the next stage of the conference does not inspire confidence about the outcome of the talks.

Our Foreign Staff adds: One possibility for solving possible deadlock on the issue of a venue for the committee meetings is, according to agency reports, the turning of the Victoria Falls area into a kind of neutral zone. If this were done, the negotiations of the Rhodesian Government and the ANC could be based on either side of the river and could continue to committee meetings on one side or the other.

A Loyalist military-style checkpoint in Ulster on Sunday night is thought to have shot dead two young Catholic men whose bodies were found half a mile from the checkpoint.

That if Mr. Rees did not act within three weeks, army camps would be blockaded to prevent supplies getting in.

Reports that two members of the Arab Socialist Union, expected to arrive in Ireland in the next few days, would be discussing possible arms deals have been firmly denied.

Their umbrella organisation, the Ulster Loyalist Central Co-ordination Committee, said

be told where the money has come from, if it is not a quoted security or a clearing bank loan. It would be relevant to know if any money was owed to a major customer for instance.

together with the annual contributions. This is one proposal that forward thinking companies could do well to adopt immediately. At current rates of inflation, the information is more important for everyone involved than any of the other items within the suggested employment report, such as hours worked, cost of training, or even the number of formal complaints lodged with the Race Relations Board.

Pensions are only the most obvious of the so-called "off balance sheet" items. Leasing commitments and North Sea style financing programmes are two other problems in this category which are going to have to be tackled sooner or later.

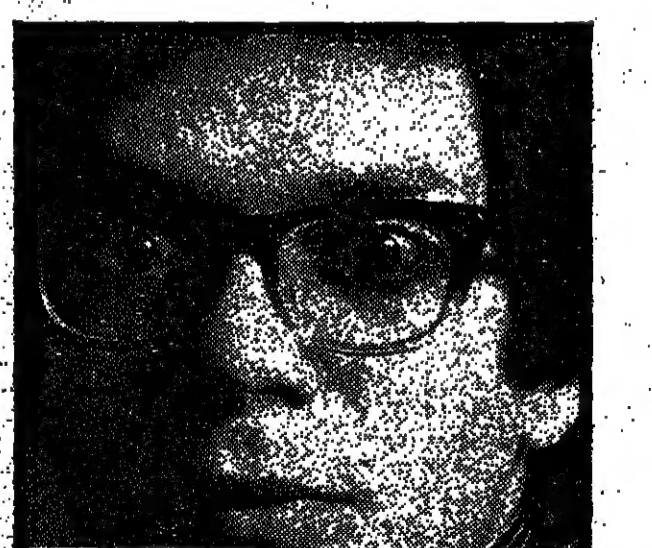
Perhaps the accountants' real problem is that they are aiming at a moving target. The Retail Price Index has risen by nearly 50 per cent since the Sandilands committee was formed two years ago, and things which seemed to be of relatively minor interest then have now become urgent priorities. There are a number of different ways by which companies can tell the public about their corporate objectives, their employment policies, their dealings with the Government, and most of the other suggestions in "The Corporate Report." There is only one place where they can put over detailed financial information—and that is still a very long way short of perfection.

### Fairey

A year ago Fairey forecast that expenses carried forward as "learning costs" would only rise £0.5m. in 1974-75, but in the event the increase appears as £1.65m. Stocks and work in progress, moreover, jumped by over £8m. and gross cash flow from trading produced only two-fifths of funds required—bank borrowings rose £5m.

But apparently this trend will change dramatically in the current year. Roughly £0.5m. For example, Unilever decided last year to increase its annual contribution by £8m.—which is equivalent to a capital sum of about £100m. This kind of quantification is very much the exception rather than the rule. In "The Corporate Report" an example of how pension details might be presented, showing the type of scheme and number of employees involved, is given.

Continued from Page 1



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